



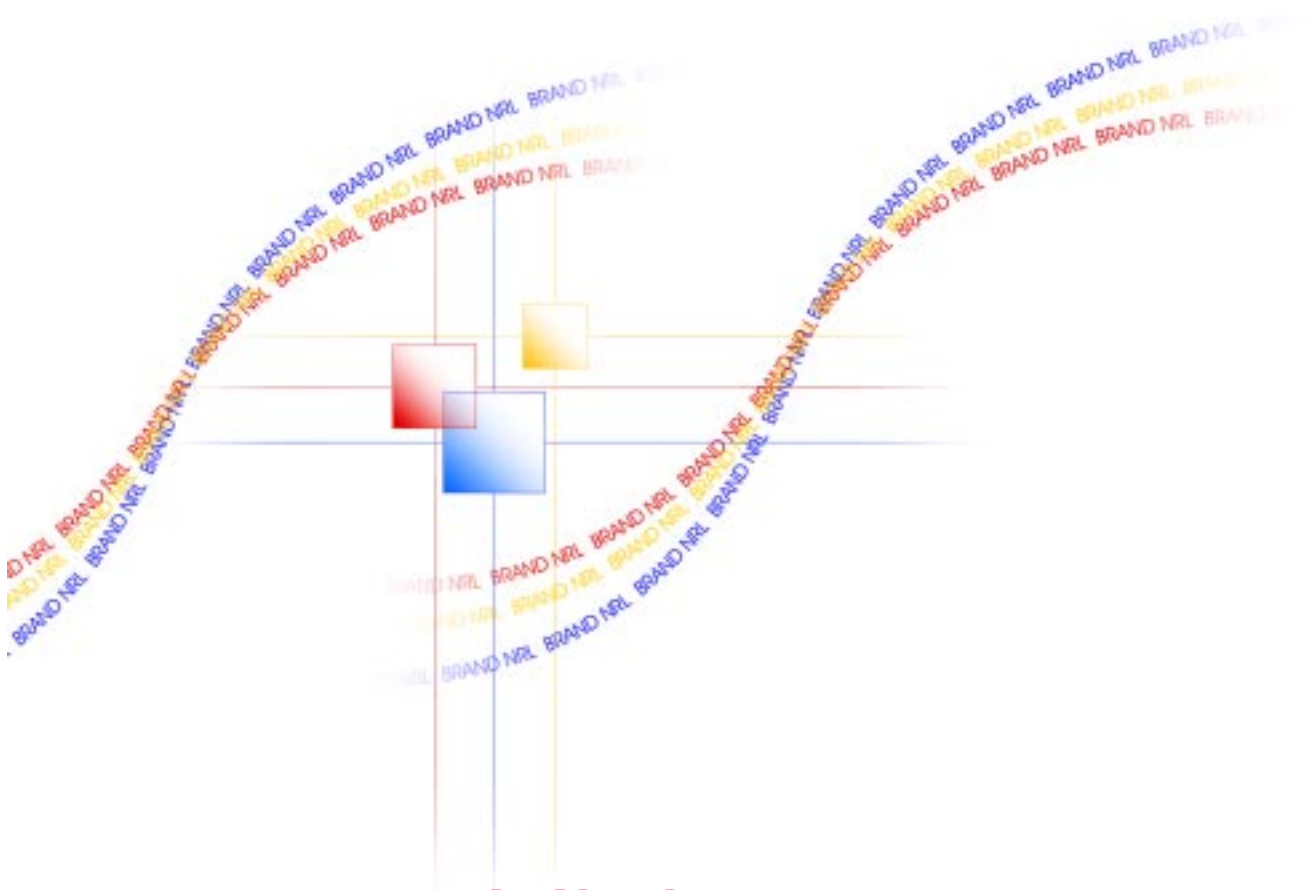
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NRL



ANNUAL REPORT 2005-2006
NUMALIGARH REFINERY LIMITED



Vision

To be a vibrant, growth oriented energy company of national standing and global reputation having core competencies in Refining and Marketing of petroleum products committed to attain sustained excellence in performance, safety standards, customer care and environment management and to provide a fillip to the development of the region.

Mission

- Develop core competencies in Refining and Marketing of petroleum products with a focus on achieving international standards on safety, quality and cost.
- Maximise wealth creation for meeting expectations of stakeholders.
- Create a pool of knowledgeable and inspired employees and ensure their professional and personal growth.
- Contribute towards the development of the region.

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Board of Directors



Shri Ashok Sinha
Chairman



Shri B. K. Das
Managing Director



Shri T. K. Anantha Kumar
Director (Finance)



Shri Dipak Chakravarty
Director (Technical)
(w.e.f. 04-08-06)



Shri R. C. Choudhary
Director (Technical)
Upto 31-07-06



Shri J. P. Rajkhowa
Director
(w.e.f. 26-07-06)



Shri P. C. Sharma
Director



Shri H. S. Das
Director



Shri C. B. Singh
Director
(w.e.f. 26-07-06)



Shri Swam Singh
Director
(Upto 31-07-06)



Shri S. A. Narayan
Director



Shri S. Radhakrishnan
Director



Shri R. K. Singh
Director
(w.e.f. 04-04-06)



Shri S. K. Joshi
Director
(w.e.f. 04-04-06)



Shri B. K. Menon
Director
(Upto 21-08-2006)



Shri M. Rohatgi
Director
(Upto 30-09-06)



Shri B. Sam Bob
Observer - OIBD



Annual Report



Bankers

State Bank of India
United Bank of India
Canara Bank
UCO Bank
Standard Chartered Bank

Auditors

Messrs U. C. Majumdar & Co.
Guwahati - 781 001.

Refinery Unit

Pankagrant
Numaligarh Refinery Complex
Golaghat District, Assam
Pin : 785699

Co-ordination Office

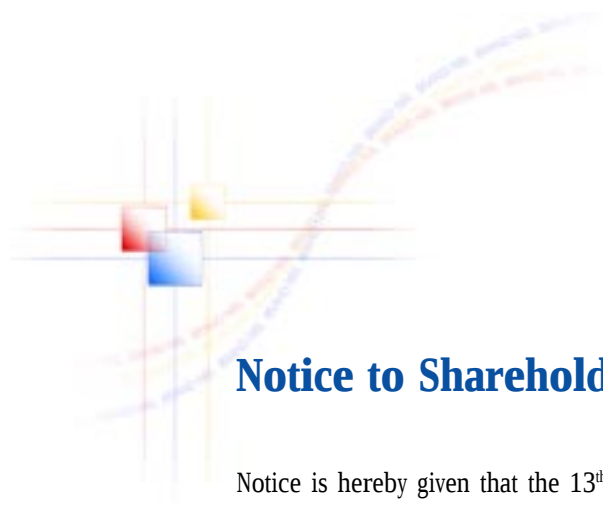
Tolstoy House, 6th Floor
15 - 17 Tolstoy Marg
New Delhi - 110 001

Registered Office

147, Udayan
R. G. Baruah Road
Guwahati - 781 005



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Notice to Shareholders

Notice is hereby given that the 13th Annual General Meeting of the Shareholders of Numaligarh Refinery Limited will be held in the Conference Hall of Hotel Brahmaputra Ashok, M.G.Road, Guwahati-781001 on Friday, the 22nd September, 2006 at 3.00 P.M. to transact the following Ordinary Business and Special Business.

A. Ordinary Business

1. To receive and adopt the Directors' Report along with the addendum thereto and the Report on Corporate Governance, the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date with the Reports of the Statutory Auditors and the Comments and the Review of the Comptroller and Auditor General of India thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Ashok Sinha, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri Ashok Sinha, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. Radhakrishnan, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S. Radhakrishnan, being eligible, offers himself for re-appointment.

B. Special Business

5. Appointment of Director

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

“RESOLVED that Shri R. K. Singh, Director (Refineries), Bharat Petroleum Corporation Limited (BPCL) be and is hereby appointed as a Director of the Company.”

6. Appointment of Director

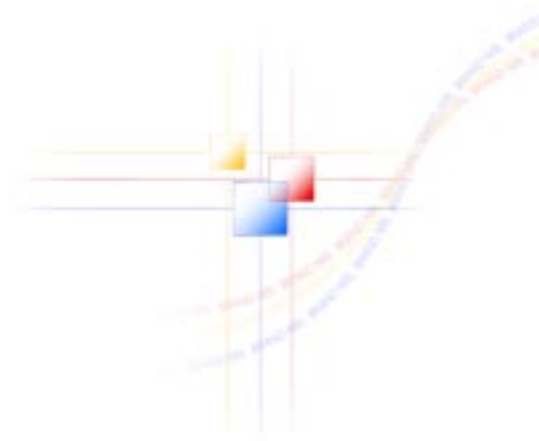
To consider and if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution:-

“RESOLVED that Shri S. K. Joshi, Director (Finance), Bharat Petroleum Corporation Limited (BPCL) be and is hereby appointed as a Director of the Company.”

7. Appointment of Director

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

“RESOLVED that Shri J. P. Rajkhowa, IAS (Retd.), former Chief Secretary to the Govt. of Assam, be and is hereby appointed as a Director of the Company.”



8. Appointment of Director

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

“RESOLVED that Shri C. B. Singh, Joint Adviser (Fin. I), Govt. of India, Ministry of Petroleum & Natural Gas, be and is hereby appointed as a Director of the Company.”

9. Appointment of Director

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

“RESOLVED that Shri Dipak Chakravarty be and is hereby appointed as a Director of the Company.”

Registered Office:

147, Udayan,
R.G. Baruah Road,
Guwahat- 781005
Date: 31-08-2006

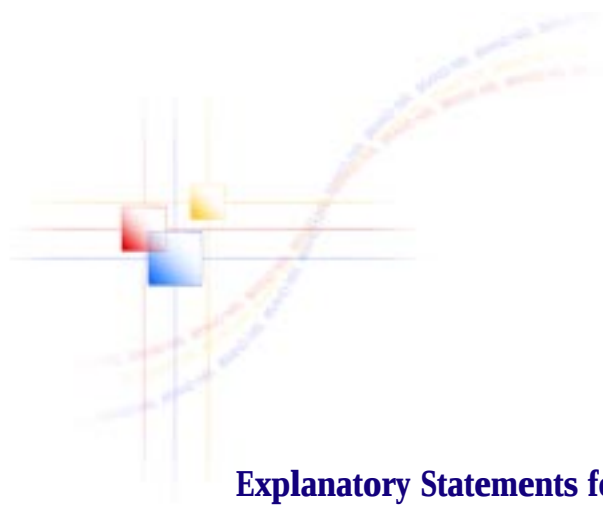
By Order of the Board of Directors

Sd/-

H. K. Sarmah
Company Secretary

Notes:

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the above items of Special Business is annexed hereto.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies, in the alternative, to attend and vote instead of himself and such proxy need not be a member. Proxies, in order to be effective, should be duly completed & affixed with the revenue stamp and be deposited at the Registered Office of the Company not less than forty eight hours before commencement of the Meeting.
3. In order to help us in providing appropriate answers backed by relevant financial data, the shareholders may please send their queries that they would desire to raise at the AGM at least one week in advance to the Company Secretary at the Registered Office.



Explanatory Statements for the Special Business pursuant to Section 173 of the Companies Act, 1956 :

Following are the Explanatory Statements in respect of item No. 5 to 9 of the Special Business indicated in the Notice dated 31-08-2006.

Item No.5: Appointment of Director

Shri R. K. Singh, Director (Refineries), Bharat Petroleum Corporation Limited was appointed as Additional Director by the Board of Directors pursuant to Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 4th April, 2006.

Shri R. K. Singh, being an Additional Director, will hold office till the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the name of Shri R. K. Singh as Director of the Company. A brief resume of Shri R. K. Singh is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri R. K. Singh as Director of the Company.

Except Shri R. K. Singh, no other Director is interested or concerned in the Resolution.

Item No. 6: Appointment of Director

Shri S. K. Joshi, Director (Finance), Bharat Petroleum Corporation Limited was appointed as Additional Director by the Board of Directors pursuant to Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 4th April, 2006.

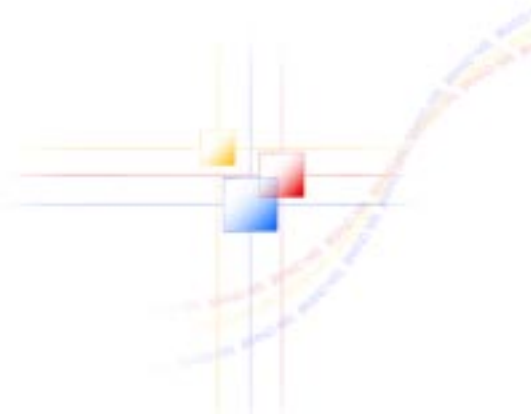
Shri S. K. Joshi, being an Additional Director, will hold office till the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the name of Shri S. K. Joshi as Director of the Company. A brief resume of Shri S. K. Joshi is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri S. K. Joshi as Director of the Company.

Except Shri S. K. Joshi, no other Director is interested or concerned in the Resolution.

Item No.7: Appointment of Director

Shri J. P. Rajkhowa, IAS (Retd.), former Chief Secretary to the Govt. of Assam was appointed as Additional Director by the Board of Directors pursuant to Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 26th July, 2006. Shri J. P. Rajkhowa, being nominated by the Government as Non-Official part-time Director on the Board of the Company shall hold office for a period of 3 years w.e.f. the date of his appointment as Additional Director in accordance with the intention of the Govt. of India.

Shri J. P. Rajkhowa, being an Additional Director, will hold office till the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the name of Shri J. P. Rajkhowa as Director of the Company. A brief resume of Shri J. P. Rajkhowa



is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri J. P. Rajkhowa as Director of the Company.

Except Shri J. P. Rajkhowa, no other Director is interested or concerned in the Resolution.

Item No. 8: Appointment of Director

Shri C. B. Singh, Joint Adviser (Fin.I), Govt. of India, Ministry of Petroleum & Natural Gas was appointed as Additional Director by the Board of Directors pursuant to Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 26th July, 2006 in accordance with the intention of the Govt. of India.

Shri C. B. Singh, being an Additional Director, will hold office till the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the name of Shri C. B. Singh as Director of the Company. A brief resume of Shri C. B. Singh is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri C. B. Singh as Director of the Company.

Except Shri C. B. Singh, no other Director is interested or concerned in the Resolution.

Item No. 9: Appointment of Director

Shri Dipak Chakravarty was appointed as Additional Director, with effect from 4th August, 2006, under the provisions of Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act 1956, in accordance with the intention of the Govt. of India. Shri Dipak Chakravarty has further been appointed as Director (Technical) of the Company with effect from 4th August, 2006 under the provisions of the Article 88(i) of the Articles of Association.

Shri Dipak Chakravarty, being an Additional Director, will hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the name of Shri Dipak Chakravarty as Director of the Company. A brief resume of Shri Dipak Chakravarty is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri Dipak Chakravarty as Director of the Company.

Except Shri Dipak Chakravarty, no other Director is interested or concerned in the Resolution.

Registered Office:

147, Udayan,
R.G. Baruah Road,
Guwahat- 781005
Date: 31-08-2006

By Order of the Board of Directors

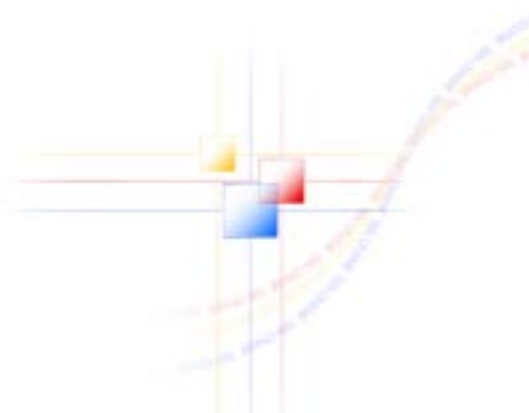
Sd/-

H. K. Sarmah
Company Secretary





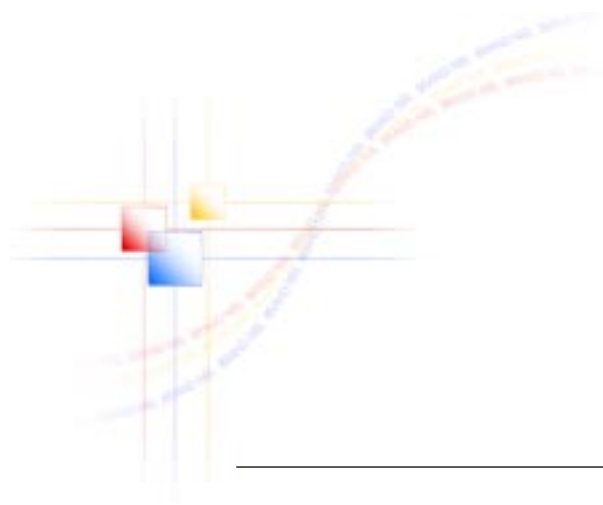
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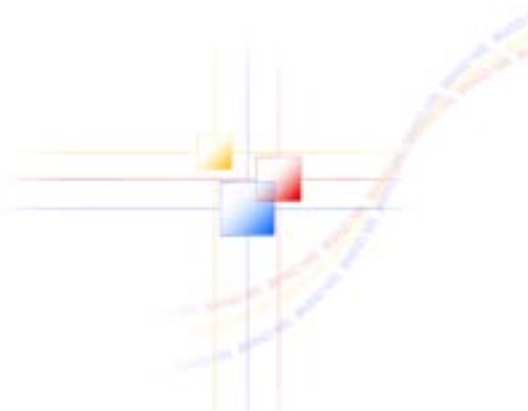
Performance Profile

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct '00 to Mar '01)
1 Crude Oil Processed (TMT) :	2133	2042	2200	1879	2307	1035
2 Capacity Utilisation (%) : [Installed capacity 3000 TMT]	71%	68%	73%	63%	77%	69%
3 Production Quantity (TMT) :	1958	1873	1982	1691	2060	951
Light Distillates %	14.1%	14.8%	14.5%	13.2%	12.6%	12.5%
Middle Distillates %	80.6%	80.4%	81.5%	81.7%	83.0%	82.4%
Heavy Ends %	5.3%	4.8%	4.0%	5.1%	4.3%	5.0%
4 Refinery Fuel and Loss as % of Crude Processed :	10.3%	9.72%	9.64%	11.06%	11.07%	12%
5 Market Sales (TMT) :	1,952	1,927	1,834	1,736	2,114	934
6 Manpower (Nos.):	705	683	674	658	655	632
7 Sales and Earnings (Rs. in Million) :						
i) Sales Turnover	58,203.67	42,989.90	32,202.56	28,047.36	22,612.81	8,117.44
ii) Gross Profit before Depreciation, Interest & Tax:	6,470.02	7,479.32	6,154.34	5,853.99	4,804.59	1,829.45
iii) Depreciation	1,394.62	1,377.11	1,326.69	1,273.73	1,356.29	670.43
iv) Interest	347.11	555.03	1,046.05	1,405.13	2,001.49	922.98
v) Adjustment for prior period	(28.05)	(24.12)	9.27	5.21	113.66	—
vi) Profit before tax	4,756.34	5,571.30	3,772.33	3,169.92	1,333.15	236.04
vii) Tax #	267.00	1,479.78	1,622.79	1,423.67	103.36	20.06
viii) Profit After Tax.	4,489.34	4,091.52	2,149.54	1,746.25	1,229.79	215.98
# Includes Deferred Tax provision - Rs.(151.21) million (Current year) & Rs.1040.10 million (Previous year)						
8 What the Company Owned (Rs. in million):						
i) Gross Fixed Assets (including Capital Work-in-Progress)	29,640.56	27,766.13	26,415.66	26,147.85	26,958.02	26,686.30
ii) Net Fixed Assets (including Capital Work-in-Progress)	22,267.05	21,760.96	21,788.23	22,835.85	24,925.83	26,015.87
iii) Net Current Assets (including investments)	4,491.23	2,651.88	4,308.07	1,060.18	493.13	753.71
iv) Intangible Assets to the extent not written off	72.18	—	—	—	—	—
Total Assets Net (ii+iii)	26,830.46	24,412.84	26,096.30	23,896.03	25,418.96	26,769.58





	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct '00 to Mar '01)
9 What the Company Owed (Rs. in million):						
i) Share Capital	7,356.32	7,356.32	7,356.32	7,356.32	7,356.32	7,356.32
ii) Reserve & Surplus	9,556.96	6,661.35	3,997.45	2,578.21	1,997.64	1,143.02
iii) Miscellaneous Expenditure to the extent not written off	—	3.07	—	18.49	63.28	100.46
iv) Net worth (i)+(ii)-(iii)	16,913.28	14,014.60	11,353.77	9,916.04	9,290.68	8,398.88
v) Borrowings	5,961.89	6,291.74	11,676.13	12,245.28	16,128.28	18,370.70
vi) Deferred Tax Liability	3,955.29	4,106.50	3,066.40	1,734.71	—	—
Total Funds Employed (v+vi+vii)	26,830.46	24,412.84	26,096.30	23,896.03	25,418.96	26,769.58
10 Internal Generation (Rs. in Million)	5,801.21	6,554.53	5,045.98	4,248.96	2,855.14	906.50
11 Ratios:						
i) Gross profit before Depre- ciation, Interest & Tax as % age of Net Sales & Other income.	13.05	20.10	22.94	24.29	24.30	22.38
ii) Profit after Tax as % age of Average Net Worth.	29.03	32.26	20.21	18.18	13.90	2.74
iii) Profit after Tax as % age of Share Capital	61.03	55.62	29.22	23.74	16.72	2.94
iv) Average Net worth as % age of Share Capital	210	172	145	131	120	107
v) Gross profit before Depre- ciation, Interest & Tax as % age of Average Capital Employed.	28.06	31.29	25.80	25.06	19.39	7.19
vi) Profit Before Tax as % age of Average Capital Employed	20.63	23.31	15.82	13.57	5.38	0.93
vii) Profit After Tax as % age of Average Capital Employed	19.47	17.12	9.01	7.48	4.96	0.85
viii) Long Term Debt Equity Ratio	0.26	0.32	0.86	1.23	1.55	1.95
12 Earning Per Share (Rs.)	6.10	5.56	2.92	2.37	1.67	0.29
13 Book Value Per Share(Rs.)	22.89	19.05	15.43	13.48	12.63	11.42



	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct '00 to Mar '01)
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14 SOURCES AND APPLICATION OF FUNDS (Rs. In million)

SOURCES OF FUNDS

OWN :

Profit after Tax	4,489.34	4,091.52	2,149.54	1,746.25	1,229.79	215.98
Depreciation	1,368.34	1,377.74	1,315.43	1,279.81	1,361.76	670.43
Deferred Tax provision	(151.21)	1,040.10	1,331.69	1,166.54	—	—
Investments	—	—	—	460.00	—	—
Shareholders Investment	—	—	—	—	—	747.55
Miscellaneous Expenses / Intangible Assets written off	11.40	0.34	218.86	35.96	41.68	20.09

BORROWINGS :

Loans (Net)	—	—	—	—	—	1,634.97
Decrease in Working Capital	—	1,656.19	—	—	720.58	—
Adjustment on account of retirement / reclassification of assets	14.67	(1.79)	81.65	922.11	(20.27)	—
	5,732.54	8,164.10	5,097.17	5,610.67	3,333.54	3,289.02

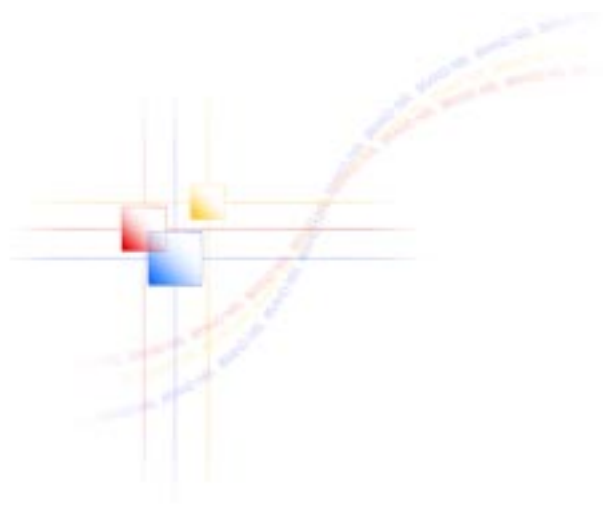
APPLICATION OF FUNDS :

Capital Expenditure	1,889.10	1,348.68	349.46	111.94	251.45	1,476.47
Adjustment for Misc Expenditure / Intangible Assets	80.51	3.41	200.37	(8.83)	4.50	48.81
Dividend	1,397.70	1,250.57	647.36	529.65	375.17	66.21
Tax on distributed profits	196.03	177.05	82.94	67.86	—	6.75
Repayment of Loans (Net)	329.85	5,384.39	569.15	3,883.00	2,242.42	—
Investments	643.09	—	—	—	460.00	—
Increase in Working Capital	1,196.26	—	3,247.89	1,027.05	—	1,690.78
	5,732.54	8,164.10	5,097.17	5,610.67	3,333.54	3,289.02

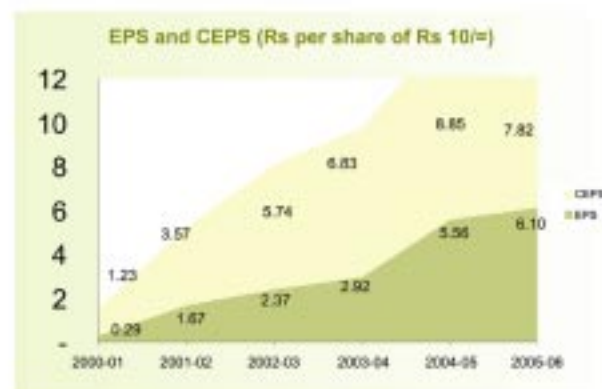
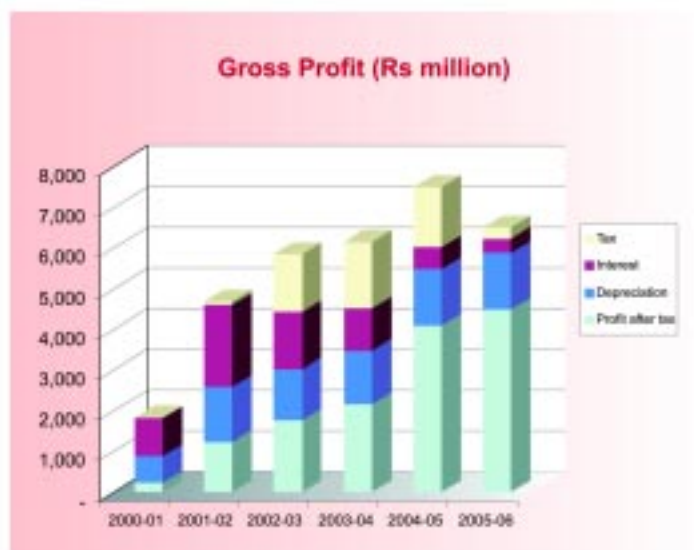
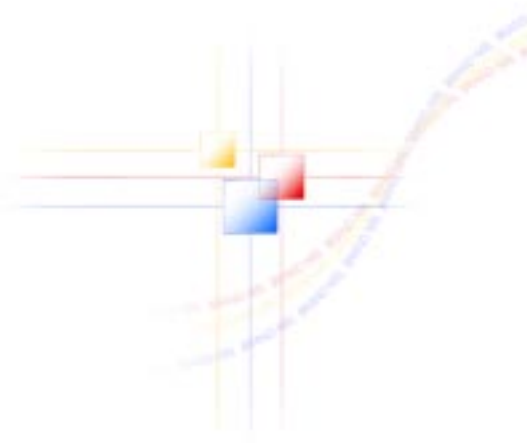
15 Changes in Working Capital (Rs. in million) :

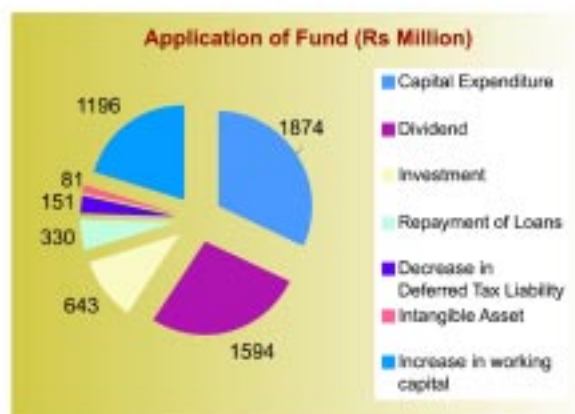
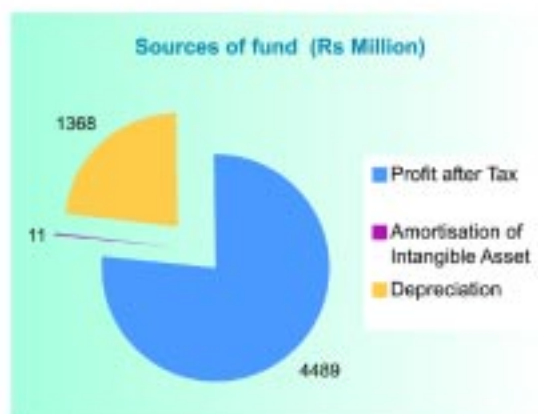
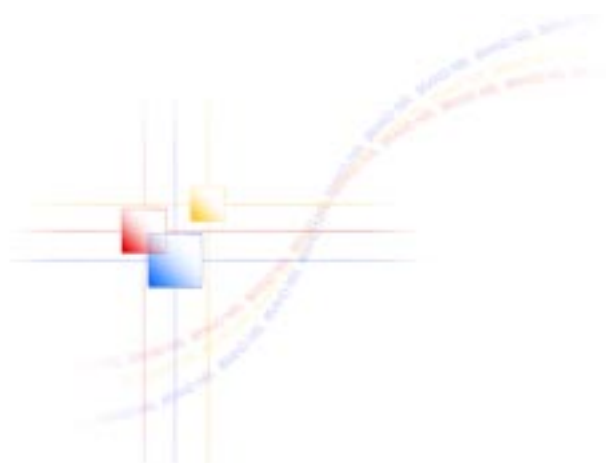
A) Current Assets :

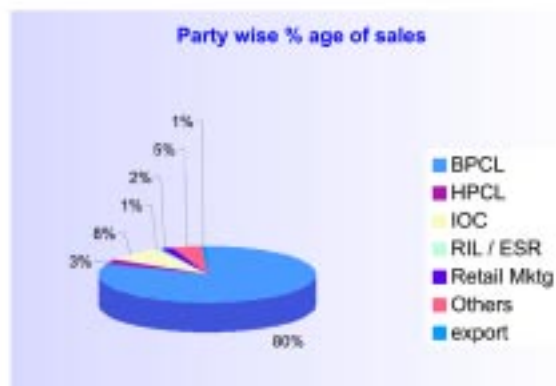
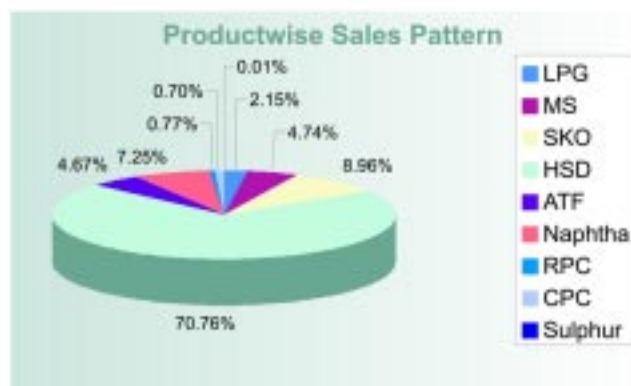
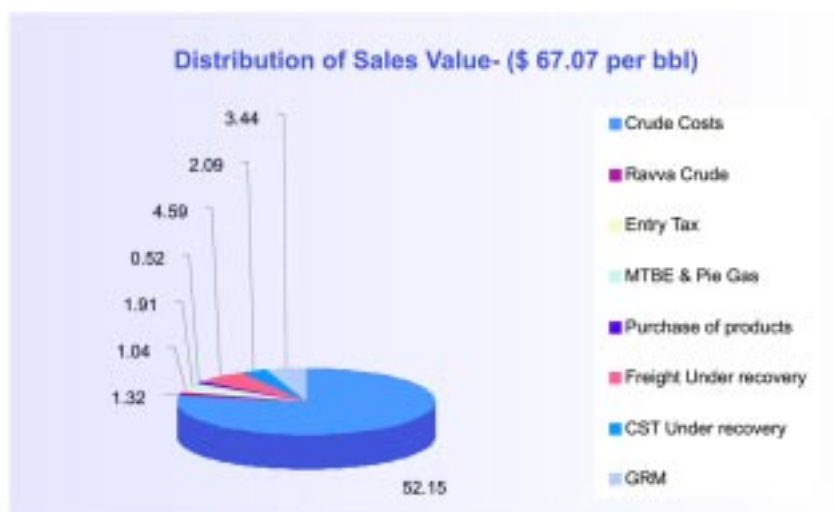
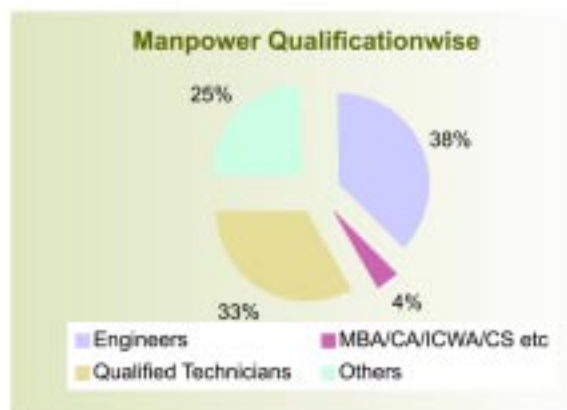
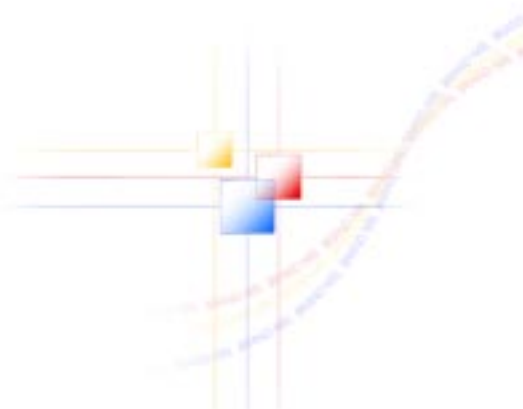
Inventories	806.53	1,222.16	3,250.36	472.27	(877.19)	1,712.50
Sundry Debtors	922.18	(539.60)	362.67	245.64	1,083.81	605.33
Cash & Bank Balances	295.63	(250.93)	(1,635.07)	1,722.33	(56.11)	214.33
Other Current Assets	2.76	—	—	—	—	—
Loans & Advances, Others	(654.02)	(468.20)	(406.88)	895.05	1,379.59	909.74
	1,373.08	(36.57)	1,571.08	3,335.29	1,530.10	3,441.90

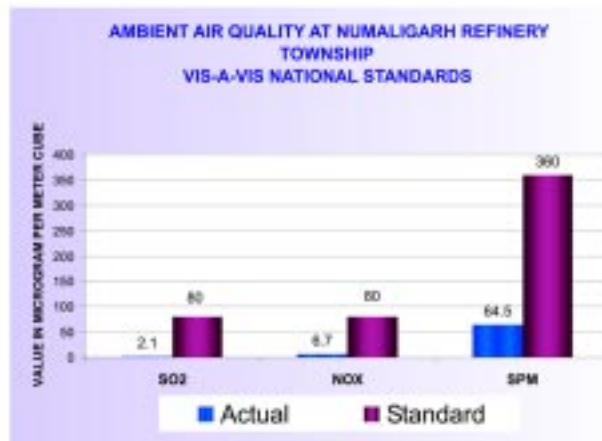
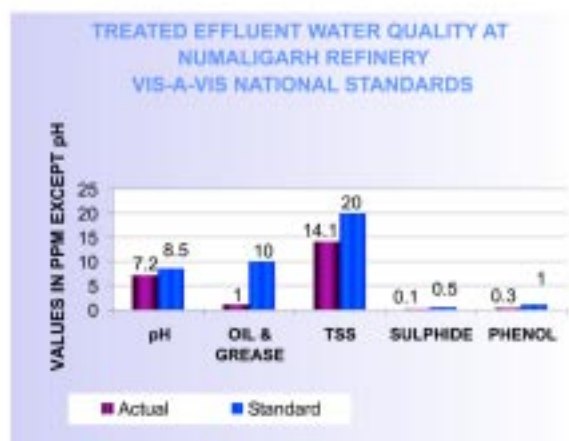
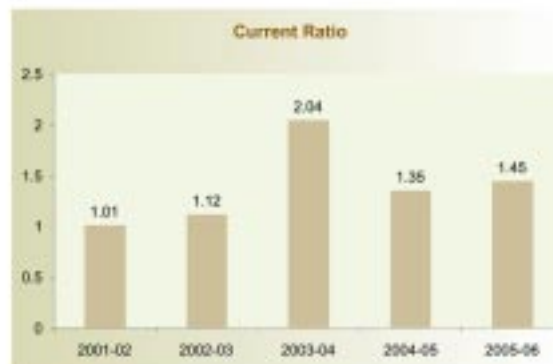
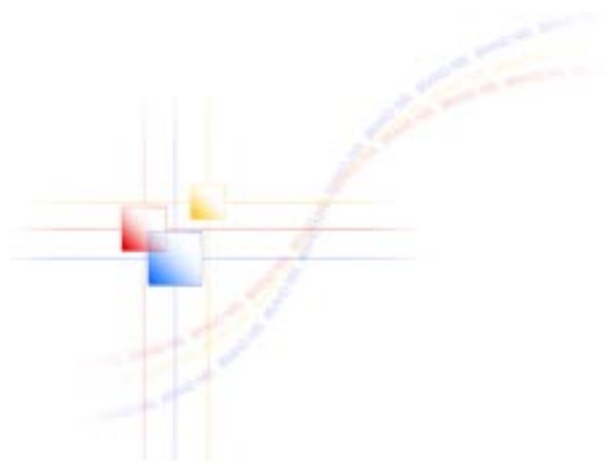


	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct '00 to Mar '01)
Less:						
B) Current Liabilities & Provisions						
Current Liabilities	(436.63)	2,760.70	(1,753.65)	2,011.79	(627.79)	1,738.62
Provisions	613.45	(1,141.08)	76.84	296.45	2,878.47	12.50
	176.82	1,619.62	(1,676.81)	2,308.24	2,250.68	1,751.12
C) Working Capital (A - B)	1,196.26	(1,656.19)	3,247.89	1,027.05	(720.58)	1,690.78
HOW VALUE IS GENERATED (Rs. in Million) :						
Value of Production :	45,366.12	35,165.36	26,055.18	22,153.18	16,398.95	5,873.32
Less : Direct Materials Consumed :	42,879.22	30,013.64	21,748.73	17,844.48	13,050.02	6,053.50
Value Added	2,486.90	5,151.72	4,306.45	4,308.70	3,348.93	(180.18)
Add : Other Incomes (including P. Y. A.)	5,173.79	3,277.23	2,859.14	2,293.07	2,928.21	2,340.89
Total Value Generated	7,660.69	8,428.95	7,165.59	6,601.77	6,277.14	2,160.71
HOW VALUE IS DISTRIBUTED (Rs. in Million) :						
A) Operation :						
Employees' Benefits	384.26	346.32	304.51	280.26	278.98	85.39
Other Costs	778.36	579.19	716.01	472.73	1,307.23	245.86
	1,162.62	925.51	1,020.52	752.99	1,586.21	331.25
B) Providers of Capital						
Interest on Borrowings	347.11	555.03	1,046.05	1,405.13	2,001.49	922.98
Dividend	1,397.70	1,250.57	647.36	529.65	375.17	66.21
	1,744.81	1,805.60	1,693.41	1,934.78	2,376.66	989.19
C) Taxation:						
Corporate Tax	418.21	439.68	291.10	257.13	103.36	20.06
Tax on distributed profits	196.03	177.05	82.94	67.86	—	6.75
	614.24	616.73	374.04	324.99	103.36	26.81
D) Re-investment in Business						
Depreciation	1,394.62	1,377.11	1,326.69	1,273.73	1,356.29	670.44
Deferred Tax	(151.21)	1,040.10	1,331.69	1,166.54	—	—
Retained Profit	2,895.61	2,663.90	1,419.24	1,148.74	854.62	143.02
	4,139.02	5,081.11	4,077.62	3,589.01	2,210.91	813.46
Total Value Distributed	7,660.69	8,428.95	7,165.59	6,601.77	6,277.14	2,160.71





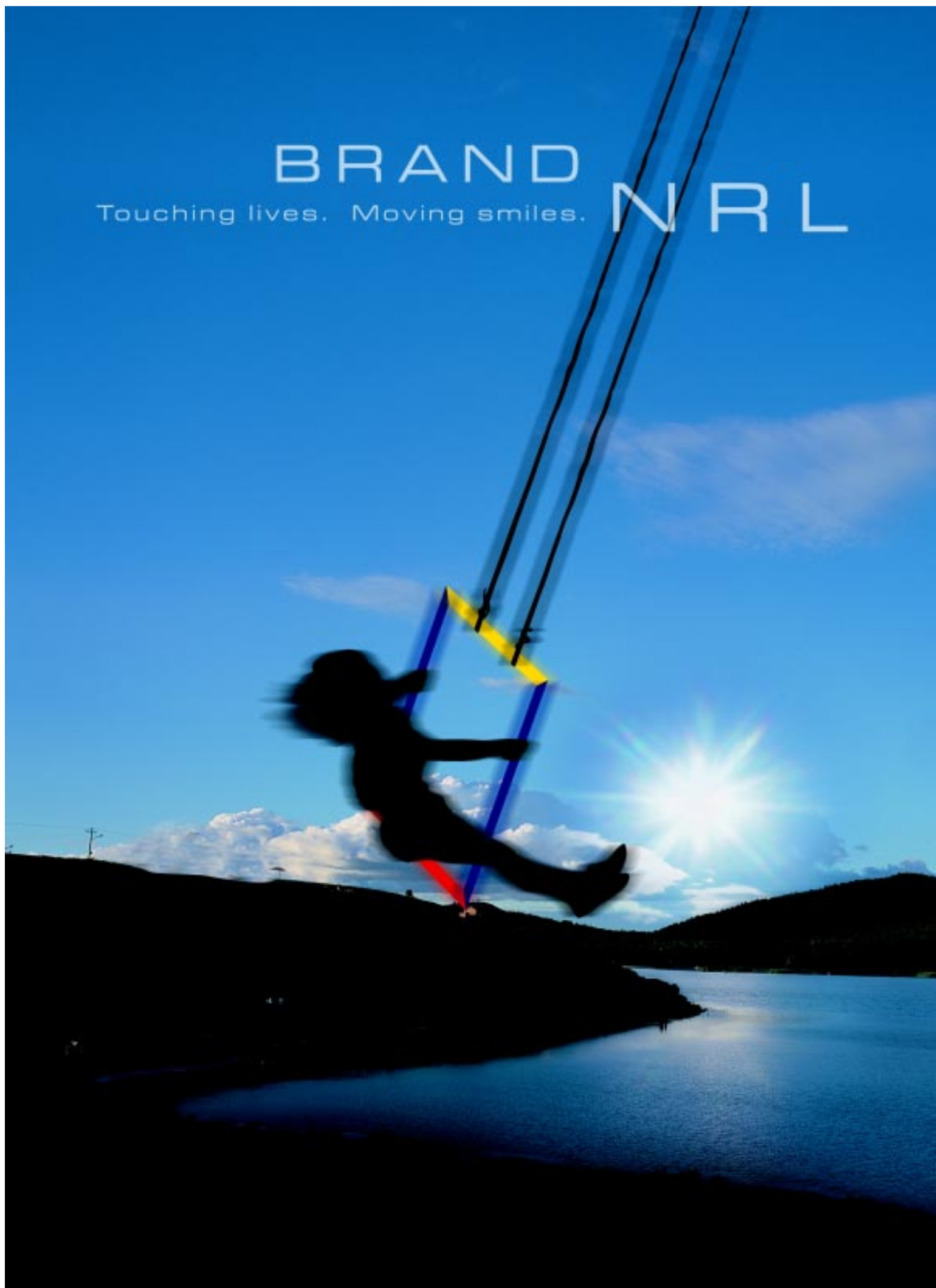




BRAND

Touching lives. Moving smiles.

NRL





Directors' Report to Shareholders

Your Directors take pleasure in presenting their 13th Annual Report on the performance of your Company together with audited statement of accounts for the financial year ended 31st March, 2006.

You will be pleased to know that your company continued to maintain the trend of excellent performance in its operational and financial fronts after expeditiously overcoming usual post overhaul difficulties following the first major refinery turnaround during the first quarter of the financial year.

FINANCIAL PERFORMANCE

a) Financial Results

During the year, the Company has achieved its best ever performance since the commencement of its commercial operation and attained an all time high gross turnover of Rs. 58203.67 million against Rs. 42989.90 million during 2004-2005 registering a growth of 35.39%. The profit after tax of Rs. 4489.34 million achieved during the year under report is a record as against Rs. 4091.52 million in the previous year, registering a growth of 9.72%.

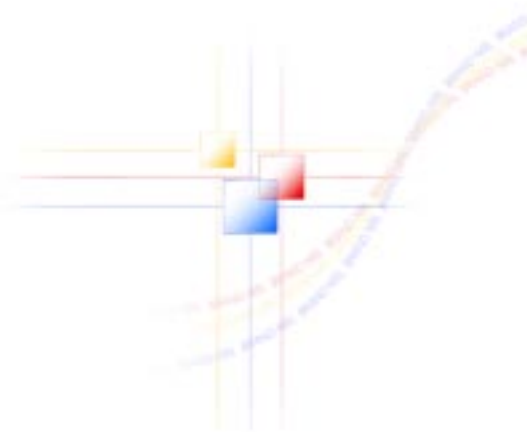
The financial results for the year 2005-2006 as compared to those of the previous year are summarised below :

(Rs. in million)

	2005-2006	2004-2005
Sales Turnover - Gross	58203.67	42989.90
Profit before Depreciation, Interest and Tax	6498.07	7503.44
Interest	347.11	555.03
Depreciation	1394.62	1377.11
Profit before Tax	4756.34	5571.30
Provision for Taxation-Current	406.30	439.68
Provision for Taxation-Fringe Benefit Tax	11.91	—
Provision for taxation-deferred	(151.21)	1040.10
Profit after Tax	4489.34	4091.52
Balance brought forward from the previous year	0.10	0.10
Amount available for disposal	4489.44	4091.62

The Directors propose to appropriate this amount as under

Towards Dividend :	1397.70	1250.57
Corporate Dividend Tax	196.03	177.05
For Transfer to General Reserve	2895.61	2663.90
Balance carried forward to Balance Sheet	0.10	0.10

**Summarized Cash Flow Statement:**

Cash Flows:		
Inflow / (outflow) from operations	4849.82	7711.23
Inflow/ (Outflow) from investing activities	(2525.44)	(1340.66)
Inflow/ (Outflow) from financing activities	(2028.75)	(6621.50)
Net increase/(decrease) in cash & cash equivalents	295.63	(250.93)

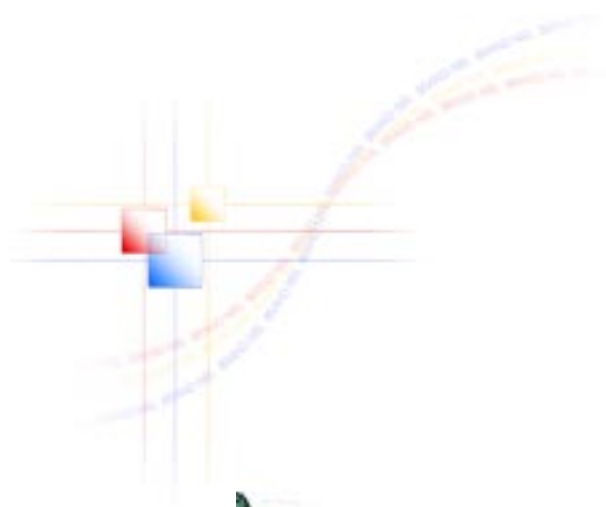
b) Dividend

Your Directors after taking into account the financial results of the Company during the year, have recommended for your approval, a dividend of 19.00% (Rs. 1.90 per share) for the year 2005-2006 which works out higher by 11.76% than the dividend of Rs. 1.70 per share paid during the previous year. The total dividend for the year will absorb Rs. 1397.70 million out of the profit after tax. After providing for Rs. 196.03 million towards tax on distributable profits and Rs. 0.10 million carried forward to the Balance Sheet, Rs. 2895.61 million will remain for transfer to the General Reserve. Accordingly, your Company's net worth as on 31st March, 2006 would stand at Rs. 16913.28 million as compared to Rs. 14014.60 million at the end of the previous year.

c) Operating Results with focus on significant points

- i) A combination of positive factors like the growth in turnover due to higher realisation of price, improved product mix, optimisation of operations, stringent cost control measures, decrease in deferred tax liability and savings in interest cost has made significant contribution in achieving higher profit after tax during the year.

*A view of the Refinery at dusk**Planning ahead*



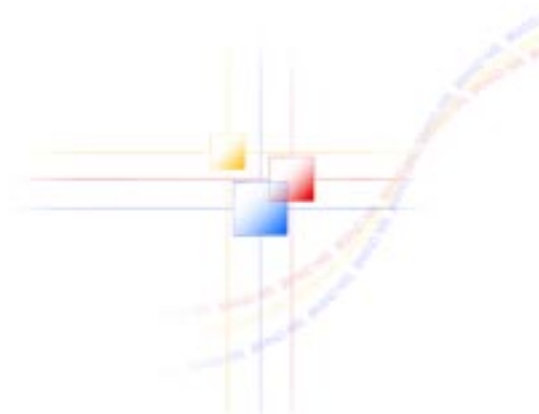
Pipeline network at Refinery

- ii) The Gross refining margin has been lower at US\$ 3.44 per barrel compared to US\$ 7.05 per barrel due to spiraling international crude prices, our inability to pass on the full impact to customers, change in methodology of calculation of import parity prices and withdrawal of 6% discount on rail freight from NE Refineries.
- iii) During the year, the Company had to absorb an amount of Rs. 1425.90 million (previous year Rs. 1033.46 million) towards under recovery of CST and Rs. 787.55 million (previous year Rs. 576.14 million) on account of Entry Tax levied by Govt. on crude oil purchased within the state from OIL and ONGC.
- iv) Earnings per share has increased to Rs. 6.10 as compared to Rs. 5.56 during the previous year. Internal generation of cash during the year was Rs. 5801.21 million as against Rs. 6554.53 million in the last year.

d) Treasury Operations

During the year, term loan amounting to Rs. 1636.56 million have been repaid. As a part of its debt restructuring exercise for reduction of interest expenditure, around Rs. 3000.00 million high interest bearing loans have been substituted by low interest bearing loans. Due to better cash management and higher sales realization, there has been an interest saving of Rs. 207.92 million during the current financial year. The





Company has also availed fresh term loan amounting to Rs. 1500.00 million for financing new capital intensive projects. Overall, the long-term loan to equity ratio has improved to 0.26 as against 0.32 in the previous year.

e) Contribution to Exchequer

Your company has contributed a total of Rs. 5640.50 million to the Central Exchequer and Rs. 5197.00 million to the State Exchequers in the form of taxes and duties compared to Rs. 5323.10 million and Rs. 2835.50 million respectively in the previous year.

f) Cost Control Initiatives

To offset the squeeze in the refiner's margin, your Company continued its focused initiatives towards cost control measures including optimisation in fuel and loss, conservation of energy, optimisation of product mix and other techno-economic parameters. With the introduction of SAP w.e.f. 1st August, 2005, the Company has introduced online budgetary control system resulting in optimisation of cost.

g) Govt. Audit Review

The review of accounts by the Comptroller and Auditor General of India (C&AG) under section 619(4) of the Companies Act, 1956 is placed as Annexure – D. We are pleased to inform that the C&AG has no comments on the Accounts for the year ended 31st March, 2006.

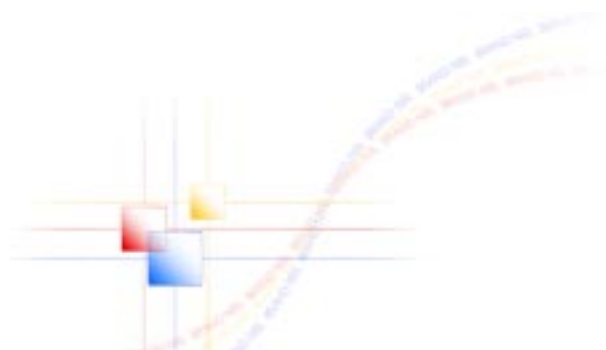
PHYSICAL PERFORMANCE OF THE REFINERY

During the year 2005-06, the refinery processed 2.13 MMT of crude oil as compared to 2.04 MMT in the year 2004-05. The capacity utilisation of the refinery is primarily governed by crude receipt from OIL/ONGC. Crude processing during the year was marginally higher than crude receipt. Average capacity utilisation during the year was 71%, which was 97% of the MoU target.

The first major Planned Refinery Turn-around was successfully completed during April-May, 2005 as per schedule. Several critical jobs including changing of Hydrocracker catalysts, cleaning of High-pressure heat exchangers in Hydrocracker unit were completed during shutdown. In addition, Adsorbent in the PSA Unit of Hydrogen Plant was replaced on line within a record time of 11 days during the last quarter of 2005-06.



Panoramic view of the Refinery

*We're the people ...**Product storage tanks*

Efforts continued towards maximizing production of the high value distillates, which resulted in net distillate yield of 85.1% wt., which was one of the highest in the country. Refinery fuel and loss was in line with the MOU target of 10.3%. Against the industry average of 0.42%, the hydrocarbon loss performance was 0.34% which was the lowest achieved so far.

Besides production of 951.5 TMT of BS-II grade HSD, 353.5 TMT of Euro III grade HSD was produced. The LPG, MS and ATF production during the year was 47 TMT, 90 TMT and 82 TMT respectively. Also 33 TMT of Calcined Petroleum Coke was produced during the year. The total production of petroleum products during the year stood at 1.96 MMT.

The cumulative refinery specific energy consumption (SEC) for the year stood at 75.4 MBTU/BBL/NRGF against industry average of 77 which has been the best achieved so far.

The Benchmarking study conducted by Shell Global Solution for Indian PSU Refineries based on operating data for the year 2004-2005 placed NRL in first tercile in 12 parameters, in second tercile in 4 and in 3rd tercile in 8 considering 24 parameters in 5 different Performance Categories. It may be worthwhile to mention that NRL was ranked 1st in the parameter 'Non turn around maintenance cost' amongst the global refineries and also achieved 1st rank in 4 parameters amongst Indian PSU refineries.

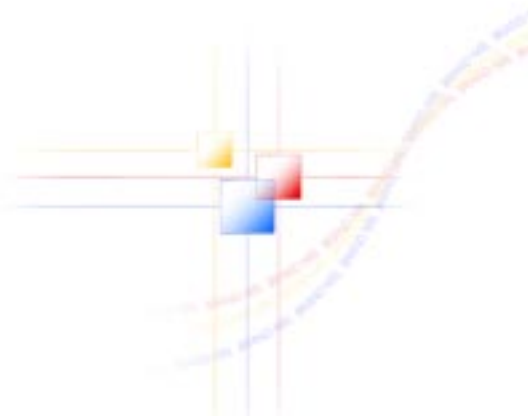
MARKETING PERFORMANCE

Marketing of major products from the refinery, namely, Naphtha, MS, SKO and HSD is being done through BPCL while NRL is marketing a small quantity of MS and HSD through its retail network. NRL is also marketing some quantity of Naphtha to domestic customers and through export. LPG and ATF are being marketed through PSU Oil Marketing Companies, like BPCL, IOCL and HPCL while the speciality products, namely, RPC, CPC and Sulphur are being marketed directly by NRL.

During the year the Company could achieve sales of 1.80 MMT of petroleum products through BPCL. Besides, 0.15 MMT of Naphtha, HSD, MS, Sulphur and RPC/CPC were marketed as direct sales by NRL. The total sales of all products amounted to 1.95 MMT.

NRL's foray into the retail marketing segment gathered momentum with the tally of commissioned retail outlets, aptly christened as "Energy Stations", reaching 58 during the year as against 10 in the previous year,





of which 36 are in the North East and the remaining in other parts of the country. Development activities are in progress for another 122 Retail Outlet locations. Sales from these outlets have been quite encouraging and the Company has been able to establish a new and fresh brand image, earning a loyal set of customers in the process. In the month of March, 2006, operating ROs have reached a per RO throughput of 361 KL, which is much above the industry average. It is noteworthy that one of the newly commissioned energy stations at Jorabat in Meghalaya (near Guwahati) has become the highest selling outlet in the whole of Eastern Region in March, 2006 with a combined MS/HSD sales volume of 2236 KL.



Energy Station of NRL

NRL has been conferred the POPAI OMA Silver award during 2006 under the category “Automobile Permanent” for the Retail Visual Identity of NRL Energy Stations. Two of its Retail Outlets have been certified by M/s. DNV under Q & Q protocol and for balance commissioned ROs, the certification job is under progress.

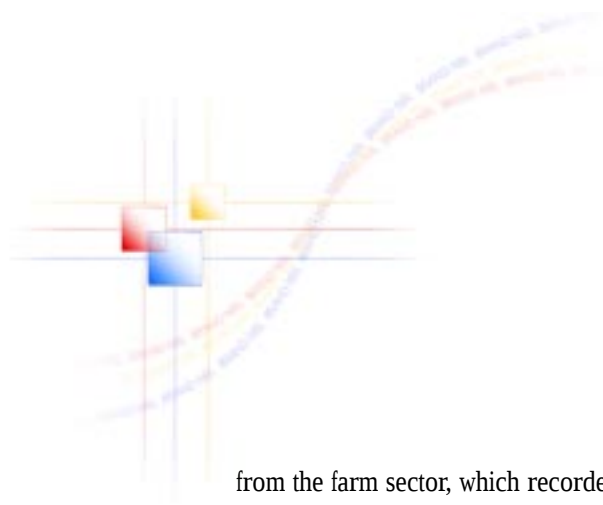
As reported last year, M/s. Oil India Limited is laying a product pipeline between Numaligarh to Siliguri. As a linked project, NRL is constructing a receiving terminal at Siliguri and dispatch facilities at Numaligarh. Construction of these facilities are being progressed to synchronize with the completion of the product pipeline scheduled in September, 2007. It is expected that on completion of the pipeline connectivity, it would solve the problem of product evacuation from the refinery. Your company has also made a plan for setting up a Tap Off Point Terminal near Guwahati, from the Numaligarh-Siliguri pipeline, mainly for distribution of products to the markets located in lower Assam districts and in Meghalaya.

Efforts are continuing for export of HSD to Bangladesh. NRL is also continuing supply of MS and HSD to M/s. Essar Oil Ltd. in the North-East and has started supplying MS and HSD to M/s. Reliance Industries Ltd. during the year 2005-06.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

India posted an 8.4% growth in the Gross Domestic Product (GDP) in fiscal 2005-06 in a robust demonstration of its nascent strengths, after growing at 8.5% and 7.5% in the previous two years. The biggest boost came



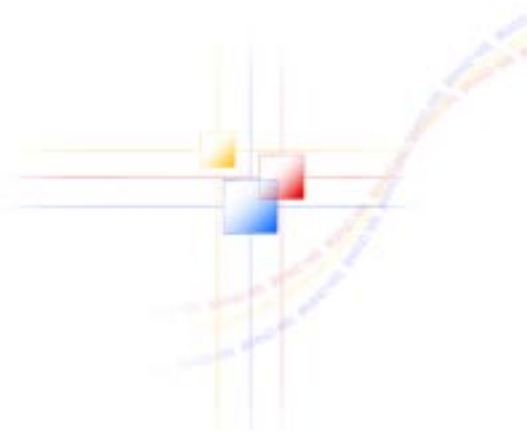
from the farm sector, which recorded higher than expected growth of 3.9%. Some significant dimensions of the dynamic growth in recent years are: a new industrial resurgence; a pick up in investment; modest inflation in spite of spiraling global crude prices; rapid growth in exports and imports with a widening of the current account deficit.

Global oil consumption grew by 1.3% in 2005, below the 10-year average and a marked slowdown from the strong growth (+3.6%) seen in 2004. Consumption rose by 1 million barrels per day to reach 82.5 million barrels per day. Chinese consumption, which grew by nearly 1 million b/d in 2004, rose by only 200,000 b/d. US consumption declined by 75,000 b/d. Domestic demand for petroleum products for the year 2005-06 increased to around 111.92 MMT, from 111.63 MMT registering a marginal growth of 0.3% compared to 3.6% growth in the previous year. HSD, which accounts for 40% of the total petroleum product demand, showed a growth of 1.3% compared to 6.9% in the previous year. Motor Spirit demand increased to 4.8% compared to 4.5% in the previous year. Aviation Turbine Fuel recorded the highest growth at 17.3% in 2005-06 compared to 13.3% in the previous year and LPG demand increased by 0.6% compared to 10.1% in the previous year. The increase in demand of these products was offset by a decline in Naphtha and Kerosene consumption by 12.4% and 0.4% respectively.

During fiscal 2005-06, Indian refineries processed 126.97 MMT of crude oil, which marks an increase of 2.6% over 2004-05. The sector achieved 95.86% capacity utilization. India is long on refining capacity and growth in domestic demand alone was not sufficient to saturate capacity. The country, as such, enhanced export of products to various countries. In US \$ terms, export of petroleum products have gone up by 58.3%.



A view of Motor Spirit Plant



Engrossed at work

India imported around 99.41 MMT of crude oil in the year 2005-06, at a value of 38.78 US\$ bn. In terms of quantity, India imported 3.7% higher crude oil compared to last year, however, the value of imported crude rose by 49% in 2005-06. This is mainly because of the spiraling crude prices. The indigenous crude production in the year 2005-06 declined by 6% at 32.20 MMT (provisional), compared to 34.14 MMT in the previous year. The import dependency of the country has increased to 72.5% from 71.4% in the previous year. India added another 5.1 MMT of refining capacity in the year 2005-06 and now the total refining capacity of the country as on 01.04.2006 stands at 132.47 MMT. The production of petroleum products increased by 1% in 2005-06 at 124 MMT compared to the previous year.

In the international market, the Brent dated oil price averaged US\$54.52 per barrel in 2005, more than 40% above the 2004 average. Prices exceeded US\$60 per barrel for the first time in early August. The price of Indian basket of crude oil touched 60.0 US\$/bbl in March 2006. International prices of products also went up in tandem with crude oil prices. The average HSD price which was around 353.2 US\$/MT in 2004-05, rose significantly to 485.5 US\$/MT in 2005-06. Similar trends were also seen in other products as well. The domestic prices of the products particularly the mass consumption products viz. MS and HSD – did not rise in the same proportion. This affected the marketing margin of these products severely thereby impacting the profitability of oil marketing companies.

Opportunities and Threats

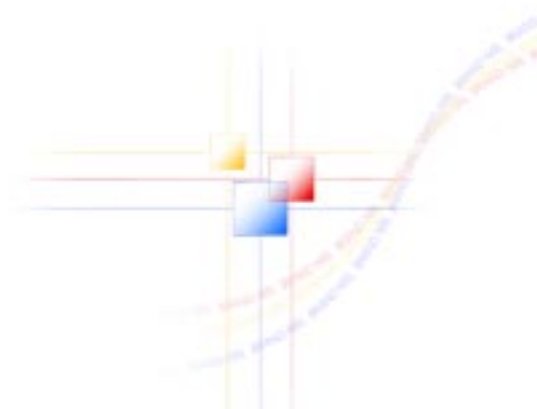
The emerging market scenario in the post deregulation era of the petroleum sector since April 2002 has presented several opportunities to generate optimum benefits in the coming years. NRL's superior technology with lean and efficient manpower structure provides the needed edge to compete in the challenging market environment. Through commissioning and establishment of Retail Outlets for auto fuels, the Company has already diversified its area of operation. The response to our outlets have been encouraging with the commissioned retail outlets generally recording higher sales volume than the trading area average. NRL has now made a presence in retailing of MS/HSD in the North Eastern Region and captured a market share of 7% in the region and it is likely to increase progressively. In the domestic market, the new players who were allowed to retail marketing of petroleum products have increased their activities. Both Reliance and Essar have increased their presence by capturing a combined market share of 14.0%. With support from its parent company BPCL, NRL expects to mark its presence in its retailing business across different parts of the country by setting up MS/HSD retail outlets for providing superior value and services to its customers. This would enable the Company to establish a distinctive identity in the retail marketing segment.

Besides the product pipeline movement plan, the Company has also continued its efforts to establish a third alternative mode of product evacuation through barges using the Brahmaputra riverways. Your Company is actively pursuing proposal of exporting products to its contiguous natural markets i.e. Bangladesh and Myanmar.

The Motor Spirit project has been successfully completed mechanically and commissioning activities are in progress. With the commissioning of this plant, a high value product of Euro-III quality would be added to the product slate. In order to substitute Naphtha by Natural Gas as fuel and feed, agreements have been signed with the supplier Oil India Limited and the transporter Assam Gas Company Limited. This would help in reducing production costs and adding to the gross refining margin of the company.



Initiative towards women education



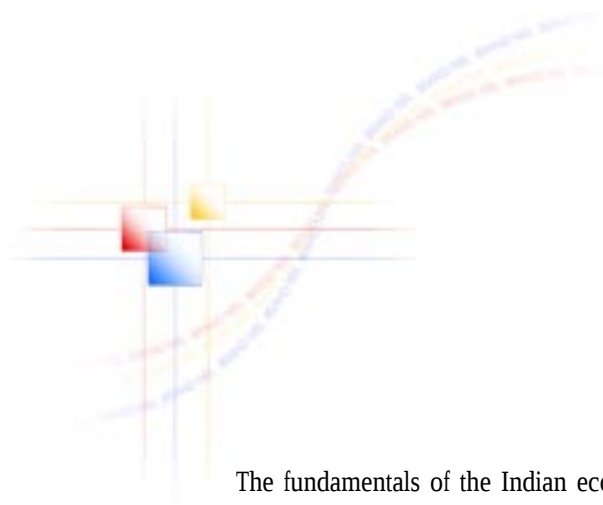
Kaliyani Club - a recreation centre at NRL's township

The LPG Bottling Plant recorded 99% capacity utilization in 2005-06, resulting in better returns on the capital invested.

The successful migration of ERP system to SAP environment, which was completed in record 5 months time, would provide opportunity for significant reduction in operating cost through efficient use of systems for running the company's business processes.

Following the recommendations of Rangarajan Committee on pricing of Petroleum Products, Govt. has moved to a trade parity pricing system (80:20) for MS and HSD and reduced the tariff protection from 10% to 7.5%. Thus it has become imperative to optimize company's operations to record reasonable gross margin. India has already introduced greener transport fuels with low sulphur conforming to Euro-III standards in 11 major cities and BS-II standards in the rest of the country. NRL thus faces the challenge of meeting the requirements of the new Auto Fuel Policy. With initiation of time bound actions, the Company has been able to supply BS-II/Euro-III grade fuels as per market requirement with effect from April 1, 2005. Through planning low cost revamping of Hydrocracker and Hydrogen Unit, the Company has taken initiatives to produce Euro-III HSD at full throughput as per the required time frame. One area of concern relates to withdrawal of the Irrecoverable Taxes Compensation Scheme by the Government from the year 2003-2004 and introduction of entry tax on crude from the year 2004-05 for which the yearly impact on NRL is around Rs. 230 crores presently. Various measures are presently being initiated for reducing if not eliminating the adverse financial impact on account of withdrawal of the scheme.

The refinery's margin although high in the international market, GRM of Indian refineries were lower in 2005-06 as Govt. has not allowed Oil Marketing Companies (OMC) to pass on the burden of rising product prices to consumers. NRL also recorded a lower GRM (3.44 \$/bbl) compared to last year, as it had to give discounts on product prices to OMCs.



The fundamentals of the Indian economy are strong and stable. The country is poised for a strong GDP growth. The new infrastructure being developed, particularly the road network, will boost the demand for energy consumption in general and auto fuels in particular. With an expected GDP growth of 7–8% and an energy intensity of about 70%, the oil and gas sector is expected to grow at rates above 4% during the years to come. As per estimates of International Energy Agency (IEA) global oil demand in 2007 will rise by 1.57 million barrels per day despite high prices.

The changing face of the energy sector and the shift to NG/LNG as a cheaper alternate to liquid fuels, has to be viewed in the correct perspective. These fuels are likely to affect the industrial demand for liquid fuels like Naphtha and Furnace oil. NRL is a zero fuel oil company and its focus is now on production of value added products from Naphtha. Export of surplus Naphtha as an alternate to the domestic sales is also being pursued. It is also pursuing gas business opportunity in North East in future.

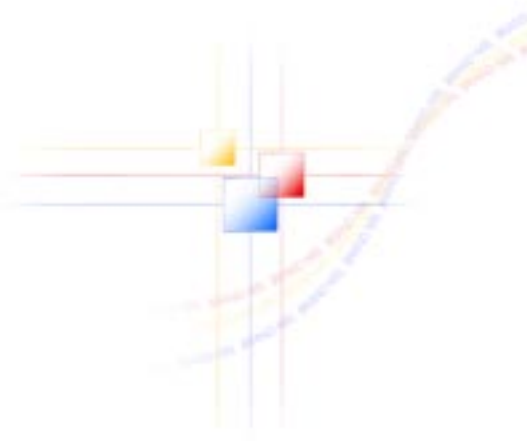
Adequacy of Internal Control

Your Company has a well defined system of internal controls commensurate with the size of its operation and nature of business to ensure reasonable assurance for effectiveness and efficiency of operations, adequacy of safeguards for assets, reliability of financial controls and compliance with applicable laws and regulations. The integrity and reliability of the internal control systems are achieved through well documented manuals, policies, guidelines/rules and procedures that are updated from time to time keeping in mind the changed business environment, process automation, clearly defined organizational structure and delegation of power with appropriate authority limits across functions. With successful migration of ERP system to SAP R/3 during the year, the internal control mechanism have further enhanced.

The Internal Audit dept. prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Important business cycle audits requiring specialised skills are continued to be carried out through external agencies to supplement the internal audit function. Improvement opportunities identified during reviews are communicated to the management on an ongoing basis. Besides periodic review of the audit findings and observations by the Management Audit Committee, the Audit Committee of the Board also regularly reviews the audit reports and significant audit findings with the management, internal audit and statutory auditors, wherever necessary, to ensure adequacy of the internal control system.



Completed projects under Corporate Social Responsibility



Human Resource

Your company continually endeavours to create a workplace that proactively fosters professional as well as personal growth of its employees that inspire initiatives and intrinsic motivation. During the year, the Human Resource Development (HRD) activities mainly focussed on multi-skill training and enhancement of managerial competencies to attain excellence in all spheres of work. A total of 534 employees were given training of which 17 were women employees.

As on 31st March, 2006, total employee strength of your company was 705 of which 384 belong to the unionized category and 321 belong to the executive cadre. Amongst them, there are 24 women employees, 7 physically challenged employees, 147 SC/ST employees and 187 belongs to Other Backward Communities.

SC/ ST Employees

The prescribed information on SC/ST employees of the Company are given in Annexure C.

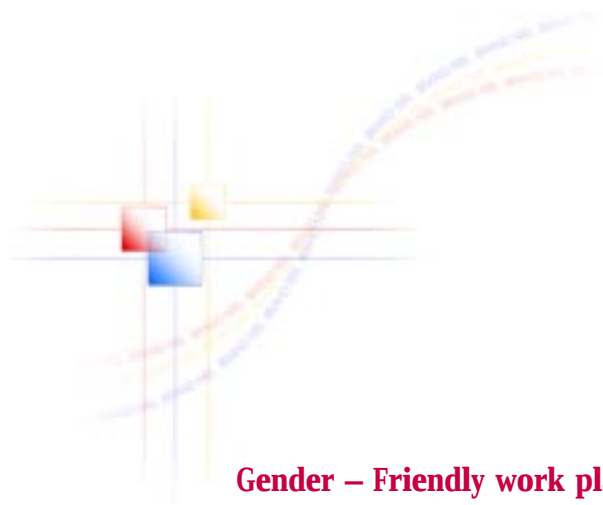
Fulfilment of Social Obligations

As a responsible corporate citizen, NRL always strives to uplift the quality of life of the society in the neighbouring areas. The Company recognizes them as one of the main stakeholders in the growth of the company and would like to have their whole – hearted support in all its future activities. The various schemes essentially aiming at providing basic amenities and spreading a sense of well being among the target population include the following :

- Free primary medical & health services and medicines through mobile health camps.
- Financial assistance to Schools & Colleges in the nearby area for developing its infrastructure, purchasing books for library and other educational aid.
- Awarding of scholarships to meritorious students.
- Improvement of roads and drinking water facility.
- Aid to various Self-help groups through self-employment schemes etc.



Education for children - a cause close to our heart



Gender – Friendly work place

Your Company is committed to ensure a gender friendly workplace so that both men and women can find a good work place. It has set up a committee with representation from both men and women to inquire into complaints of sexual harassment, if any, and to recommend appropriate action.

Communication to the Employees

The management keeps on updating all relevant and reliable information about the company and its group companies for the benefit of the employees. With these objectives, all major developments involving the affairs of the Company are shared with its employees through various communication channels i.e. through its own website www.nrl.co.in, half yearly structured presentation to all employees, 'Rodali' a quarterly house journal which reaches out to all employees and an intranet portal 'EUREKA' which provides employees a forum to discuss various issues including working conditions.

Industrial Relations

The relations with all the employees continued to be cordial and the company received full co-operation from the employees at all levels. Your company continued to maintain harmonious industrial relations and there was no man days lost due industrial relation problem.

Implementation of the Official Language

In accordance with the Official Languages Act, 1963 and the Official Languages Rules, 1976, efforts are being made to increase use of Hindi Language in official work. Hindi Workshops are being conducted from time to time to popularize Hindi amongst employees. To propagate use of Hindi as Official Language, various competitions were conducted amongst employees and school going children during Hindi Week Celebration in September, 2005. Employees are encouraged to participate in Hindi training through correspondence course being imparted by 'Raj Bhasha Bibhag' of the MHA. To give the test of Hindi language, effort has been put in by opening a special Hindi Section in the RODALI, the Company's house journal

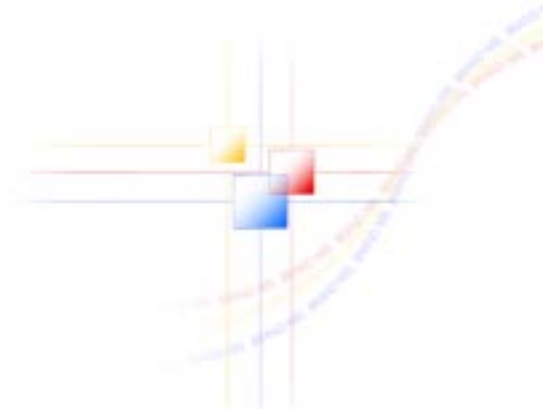
Vigilance

The lean and compact vigilance department continued its proactive role on focusing attention on preventive vigilance, which resulted in streamlining of rules and procedures in many areas and corrective actions. The suggestions and observations of the department have been accepted and put to use as and when necessary. The department carried out investigation of complaints and conducted routine and surprise inspections including inspection of major jobs. Vigilance Awareness Week was observed during November, 2005 with a number of awareness activities. The whole hearted and active participation of the employees including spouses and students of DPS Numaligarh reflected the commitment to fight and weed out the social evil of corruption from all spheres.

Health & Safety Management

A good safety management system is always focused on development of systems and procedures for safe operation of refinery. NRL has adopted ISRS protocol, one of the most prestigious Loss Control Management





The state-of-the-art VK NRL Hospital



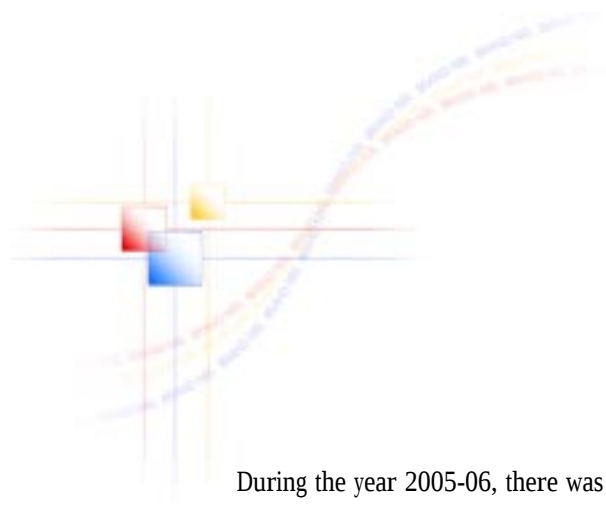
Fire brigade station

System benchmarking tools, for safety management system since 2004 and it is being practiced on a sustainable basis. All the three ISO systems (ISO: 9001, ISO: 14001 & OHSAS 18001) have been re-certified in August, 2005 for the second time. The systems of ISRS and ISO have been integrated into one and the policy of total loss control management has been followed for all loss exposures.

Health and safety continued to be an important priority for your Company. As a part of its continuing efforts to enhance safety adherence all around, regular safety awareness programmes and training were conducted for all employees and neighboring areas through external agencies like Civil Defense, Loss Prevention Association of India etc. To ensure preparedness of safety arrangements to meet exigencies, regular mock drills on Offsite emergencies are also conducted in collaboration with district authority.



A view of main Administrative Building



During the year 2005-06, there was no loss time, major accident and major fire incident. Upto 31st March, 2006, NRL achieved 1502 LTA free man days equivalent to 6.83 million man hours since the last LTA on 18-02-2002.

NRL was also conferred with the prestigious “5th Annual Greentech Safety Gold Award in Petroleum Refinery Sector” for the Year 2006, in recognition of its outstanding performance in the field of Health & Safety.

Ecology & Environment

Environment management initiatives of NRL are guided by the principle of sustainable development with its Corporate Vision Statement committing itself to attain excellence in environment management. In its endeavour towards protecting and caring for the environment in every step of its sojourn, your Company has adopted

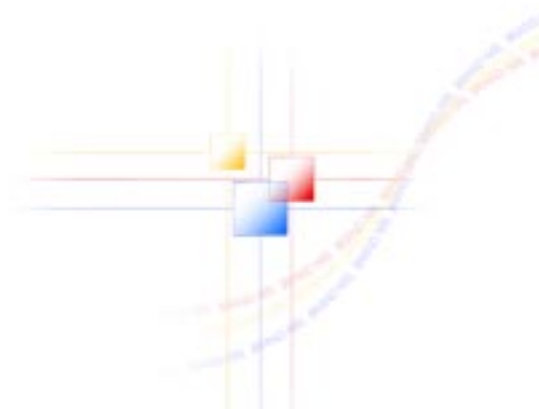


Plant (left) and township (right) - in harmony with nature

very advanced and comprehensive steps towards pollution control, essentially, the stepping stone towards environment protection. In its quest for environmental excellence and continual improvement, NRL has been pursuing a focused programme towards environment protection through well-defined objectives and has taken up several initiatives that are being implemented in a well-defined and systematic manner.

A dedicated environment management cell is working continuously for improvement, monitoring, safeguarding and reporting of environmental activities of the refinery. Environmental issues at NRL are reported, discussed and reviewed in the highest management level. In recognition of its efforts for excellent environment management, NRL has been awarded the GreenTech Environment Excellence Award consecutively for the years 2002-03, 2003-04 and 2004-05.

To preserve environment and to reduce energy consumption, NRL has also initiated various energy conservation efforts. In recognition of such exemplary efforts, Numaligarh Refinery was selected for “Award for Excellence”(1st prize) by Petroleum Conservation and Research Association (PCRA) in the Medium Project Category for the year 2004-05 for its unique efforts towards conserving energy by Installation of Telescopic



NRL receiving the PCRA 'Award for Excellence' (1st prize) for energy conservation from his Excellency Shri B. L. Joshi, Lt. Governor of Delhi

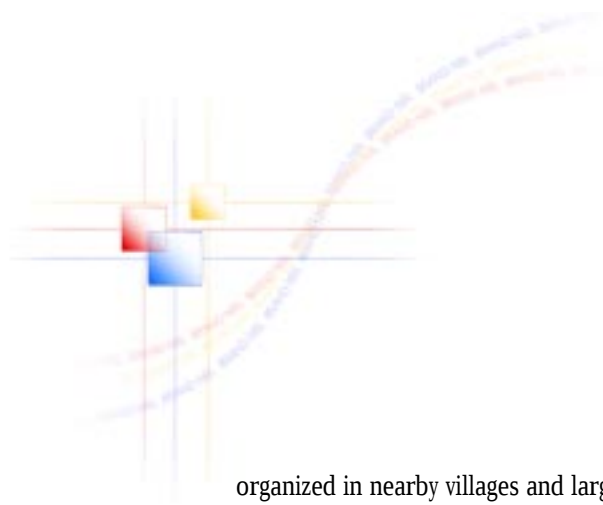
Insulation over the expanded portion of the Hydrogen Reformer catalysts tubes. 'Jawaharlal Nehru Centenary Award' was also accorded to NRL for Energy efficiency for the year 2004-05.

Legal and statutory requirements for the refinery have been fully complied with during the year. Further, all the environmental monitoring parameters including treated effluent quality and quantity, stack emissions, ambient air quality, noise level etc. were maintained well within the stipulated standards.

Special achievements , inter-alia, in the field of environment management during the year are :

- In Environmental Management System, NRL has been upgraded and certified against the latest version of the standards i.e. ISO 14001: 2004 replacing the earlier ISO 14001:1996.
- As a measure of conservation of water, reuse of treated effluent was increased to the level of around 38.3%.
- To prevent hydrocarbon loss, regular monitoring of passing valves and fugitive emissions was carried out throughout the year. Acoustic leak survey of all the major valves leading to the flare header was carried out. Any leakage found during survey was immediately taken up for rectification. Hydrocarbon loss was thus minimised.

To spread environmental awareness amongst the employees and neighboring people, a number of awareness programmes were taken up during the year. 'World Environment Day' was celebrated where all the employees as well as local residents and students from various nearby schools participated. Environmental talks were



organized in nearby villages and large number of saplings were distributed among the villagers. Some of the awareness programs were specially organized for the womenfolk and teachers of nearby schools.

Integrated Information Systems

During the year, your company witnessed significant changes in its IT landscape with the successful completion of the project IMPETUS (Improvement in Performance through Upgradation of System). The Company upgraded its ERP system to SAP R/3 Enterprise 4.7 version and successfully implemented it within a record time of five months. The 'Go-Live' was flagged on 1st August, 2005 as per schedule.

NRL considered SAP as the preferred partner for enterprise business solution as well as to meet future needs because of its wide spread business functionality, robust global support services, its strategic investment in R&D and major market share in Oil & Gas industries. With SAP R/3, NRL has the added advantage as the group companies BPCL and KRL are also on this platform and the fact that this solution could be implemented in a seamless expedient manner based on the prior experience of both BPCL and KRL. Besides providing us with a tremendous business edge due to easy flow of information among the three companies, consolidation of accounts is now easily possible because NRL has adopted BPCL's chart of accounts. SAP R/3 has also enabled us to add new processes and further streamline the existing processes.

The other implementation highlight is that the company has experienced a smooth cutover with minimal system downtime of only 48 hours. Also about 300 employees were trained to use the system efficiently. All important activities from scoping end-user's requirements to defining solution and managing the implementation are to-day carried out by the in-house IIS team.

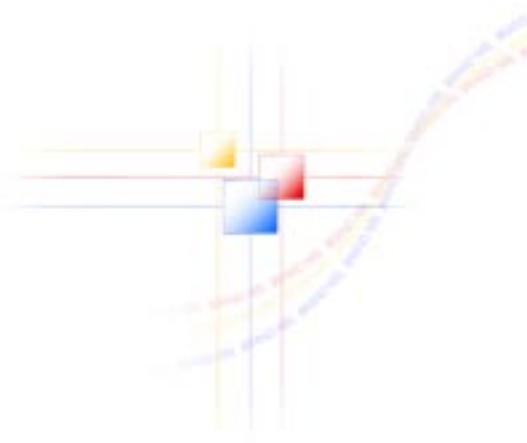
Yet, another implementation highlight is the utilization of group companies' consultancy services besides SAP, thereby reducing the implementation cost to a great extent. The association of group company consultants coupled with the reuse of developments from BPCL and KRL has made it possible for NRL to complete the project in such a short span.



Project IMPETUS team leader delivering his speech at the 'Go-Live' function



Director, SAP India Consulting presenting the plaque to MD, NRL on the occasion of 'Go-Live' of SAP in NRL



ONGOING PROJECTS

Motor Spirit Project

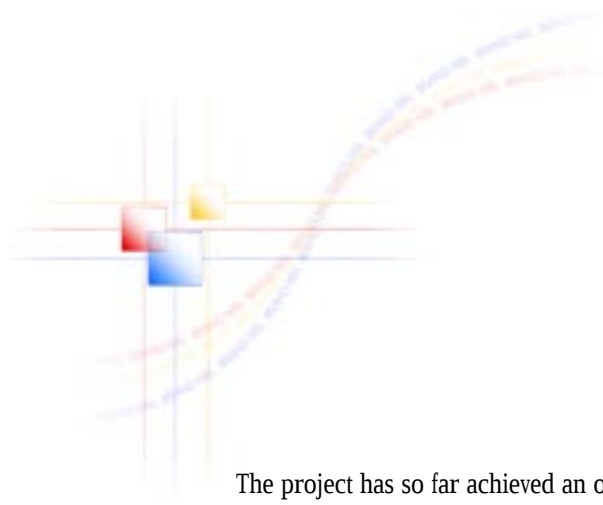
A 225 TMTPA capacity Motor Spirit Project with an approved project cost of Rs. 2968.6 million has been mechanically completed. The Naphtha Hydrotreating Unit and Catalytic Reforming Unit have been commissioned and MS production conforming to BS-II spec. has been commenced from end of July, 2006. The Isomerisation Unit is under commissioning which will enable production of MS conforming to Euro-III at full capacity. The Plant will produce 185 TMTPA of MS conforming to Euro-III specifications and will enhance the production of LPG by about 21 TPA.



Fired Heater of Motor Spirit Plant

Receipt and Despatch Terminal

In accordance with the 'Pipeline Transportation Agreement', M/s. Oil India Limited (OIL) is constructing a 16" dia product pipeline between Numaligarh and Siliguri, which is expected to be completed by September, 2007. As a link project to the product pipeline, NRL is constructing the despatch facilities (excluding pumping station) and the receipt terminal at Siliguri for facilitating further rail/road evacuation. M/s. Engineers India Limited (EIL) has been appointed as the Prime Management Consultant for the project. All the work contracts have been awarded and all jobs such as site development works, civil/structural/architectural works, composite works are in progress. The detailed design and engineering of the mechanical works and tankages are under progress. Rail siding job through NF Railway is progressing as per schedule.



The project has so far achieved an overall physical progress of about 30% as of June, 2006 and is expected to be completed by September, 2007 in synchronisation with the completion of pipeline project under implementation by OIL.

The project would help in ensuring uninterrupted product evacuation besides reducing freight cost and facilitating in enhancing capacity utilisation of the refinery for improved viability.

PROJECT PROPOSALS

Diesel Quality Upgradation Project

In line with 'Auto Fuel Policy', NRL has been producing HSD conforming to BS-II & Euro-III grade up to 85% capacity utilization without additional capital investment. The production of Euro-III HSD at 100% capacity utilisation would be achieved through revamp of Hydrocracker and Hydrogen Units. Process package for HCU revamp is under preparation by M/s. Chevron Lummus Global and Hydrogen Plant capacity enhancement study is in progress by M/s. Haldor Topsoe

Utilization of Natural Gas

NRL has been using Naphtha in place of Natural Gas as fuel for Power Plant and as fuel and feed in Hydrogen Plant due to initial constraint in the availability of Natural Gas from the oil field of North East. However, in view of the changing scenario of availability of Natural Gas and the likely benefits, NRL has signed agreement with Oil India Ltd. for purchase of 1.0 MMSCMD of Natural Gas which would replace Naphtha as feed and fuel. The project would provide substantial value addition in terms of higher Net Refinery Margin (NRM). NRL has also signed an agreement with M/s. Assam Gas Company Ltd. for transportation of Natural Gas from Duliajan to Numaligarh through a gas pipeline. The supply of natural gas to NRL is expected to commence from September, 2007.

12 MW Steam Turbine Generator (STG)

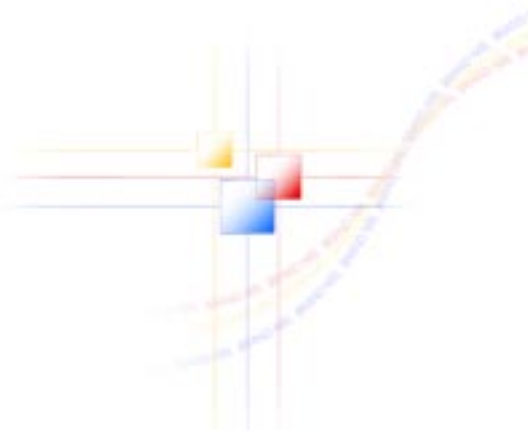
As a part of the efforts towards continuous improvement of energy conservation and overall efficiency of the plant operation, NRL is taking up installation of a 12 MW STG to generate power from surplus steam available in the plant. Order for supply of STG is being placed with M/s. BHEL. The project is expected to be completed by January, 2008.

The installation of STG shall result in savings of Naphtha as fuel (in Gas Turbine Generator) with corresponding reduction in Green House Gas (GHG) emissions (CO₂). The project is having potential to receive benefits under the Clean Development Mechanism (CDM) of Kyoto Protocol under United Nations Framework Convention to Climatic Change (UNFCCC).

Memorandum of Understanding with BPCL

Your Company has achieved an excellent overall rating with a composite score of 1.247 during the financial year 2005-2006 in accordance with the performance Memorandum of Understanding (MoU) entered into with Bharat Petroleum Corporation Limited, its holding company, on 24th March, 2005.





Particulars of Employees

As there are no such employees who are drawing the specified remuneration, particulars of employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2006 are not required to be given.

Conservation of Energy, Technology Absorption

The details regarding energy conservation and technology absorption as required to be furnished pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure A forming part of this report.

Foreign Exchange Earnings and outgo

There was no direct foreign exchange earnings during the year 2005-06. However, foreign exchange outgo during the year was Rs. 841.83 million on account of purchase of capital goods, raw-materials, component and spares including chemicals and catalysts, know-how and traveling expenses etc.

Corporate Governance

NRL being a non listed company, stipulations as contained in clause 49 of the listing agreement are not mandatory. However, as a good corporate practice, a report on Corporate Governance covering the relevant disclosures is annexed to the Directors' Report as Annexure –B. The Director's Report also contain a chapter on 'Management Discussion and Analysis'. The forward looking statement made in the 'Management Discussion and Analysis' are based on certain assumptions and expectation of future events. The Directors cannot guarantee that these assumptions are accurate or these expectations will materialise.

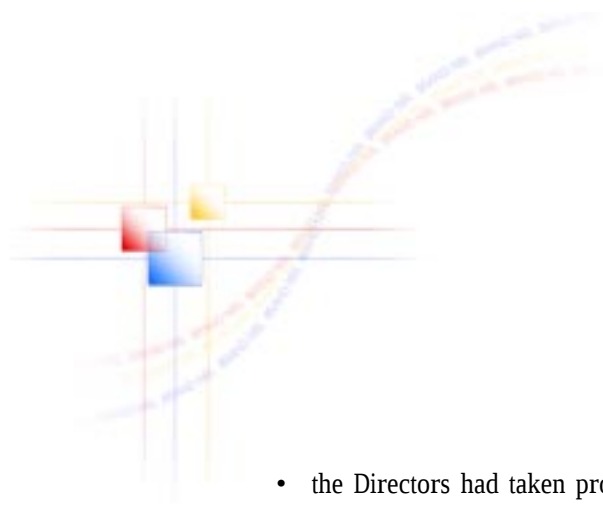
Statutory Auditors

M/s. U.C. Majumdar & Co., Chartered Accountants, Guwahati were appointed as Statutory Auditor for the year 2005-06 by the Comptroller & Auditor General of India under the provisions of Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting. The Comptroller and Auditor General of India has been approached for the appointment of Statutory Auditors for the financial year 2006-2007.

Directors' Responsibility Statement

In accordance with Section 217(2AA) of the Companies Act, 1956, your Directors wish to inform that :

- in the preparation of the Annual Accounts, applicable accounting standards had been followed along with proper explanation relating to material departures.
- the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period.



- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Directors had prepared the annual accounts on a going concern basis.

Board of Directors

Shri R. C. Choudhary, Director (Technical) of the Company retired on 31st July, 2006, on attaining the age of superannuation. Your Directors have placed on record their appreciation of significant contribution and valuable services rendered by him during his tenure with NRL. Shri Mukesh Rohatgi, has resigned from the Board w.e.f. 30th September, 2005 on his appointment as Chairman & Managing Director, Engineers India Limited. The Directors have placed on record their gratitude for the guidance and support extended by Shri Mukesh Rohatgi for the development and progress of the business of the Company during his tenure as Director of NRL. Shri Swami Singh, Director (Natural Gas), Ministry of Petroleum & Natural Gas appointed as Additional Director with effect from 28th March, 2006 has resigned from the Board on completion of his tenure as Director in the Ministry with effect from 31st July, 2006. The Directors have placed on record their appreciation of valuable contributions made by him during his tenure with the Company.

Shri B. K. Menon, Managing Director, Kochi Refineries Limited has resigned from the Board with effect from 21st August, 2006 consequent to the merger of Kochi Refineries Limited with Bharat Petroleum Corporation Limited with effect from that date. The Directors have placed on record their appreciation of valuable contribution made by Shri Menon during his tenure as Director of the Company.

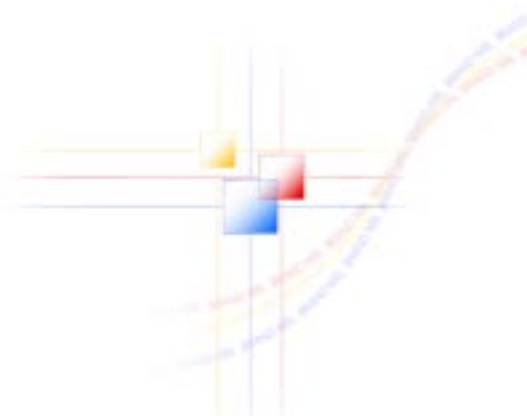
Shri R. K. Singh, Director (Refineries), BPCL and Shri S. K. Joshi, Director (Finance), BPCL were appointed as Additional Directors with effect from 4th April, 2006.

Shri J. P. Rajkhowa, IAS (Retd.), former Chief Secretary to the Govt. of Assam was appointed as Additional Director with effect from 26-7-2006 as per intention of the President of India appointing him as non-official part-time Director on the Board of the Company.

Shri C. B. Singh, Joint Advisor (Finance-I), Ministry of Petroleum & Natural Gas was appointed as Additional Director with effect from 26-7-2006.

Shri Dipak Chakravarty, GM(Production) was appointed as Additional Director under Article 85 of the Articles of Association, with effect from 4th August, 2006. Shri Chakravarty also assumed the office of Director (Technical) from that date, in pursuance of his appointment by the President of India.

Shri R. K. Singh, Shri S. K. Joshi, Shri J. P. Rajkhowa, Shri C. B. Singh and Shri Dipak Chakravarty, having been appointed as Additional Directors, will hold office till the ensuing Annual General Meeting. Notices under Section 257 have been received, proposing their names for appointment as 'Directors retiring by rotation' at the ensuing Annual General Meeting.



As required under Section 256 of the Companies Act, 1956, Shri Ashok Sinha and Shri S. Radhakrishnan will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors at the said meeting.

Brief bio-data of Shri R. K. Singh, Shri S. K. Joshi, Shri J. P. Rajkhowa, Shri C.B.Singh, Shri Ashok Sinha, Shri S. Radhakrishnan and Shri Dipak Chakravarty are provided in the Corporate Governance Report.

Acknowledgement

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

Your Directors gratefully acknowledge continued valuable co-operation and patronage received from Central Government particularly, the Ministry of Petroleum & Natural Gas, Petroleum Planning and Analysis Cell, Oil Industry Development Board, Customs and Central Excise Departments as well as from the Govt. of Assam and other Govt. agencies.

Your Directors also thank the contractors, vendors, suppliers and bankers for their contribution to NRL's success.

The Directors express their heartfelt gratitude to the NRL Dealers and valued customers for their patronage and assure them that NRL is striving to give them the very best.

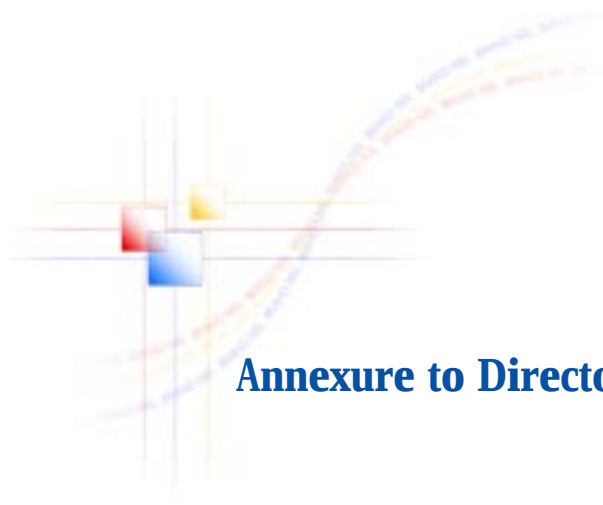
Your Directors express their sincere thanks to the promoters, namely, Bharat Petroleum Corporation Limited and Govt. of Assam and other valued shareholders, namely, Oil India Limited and Oil Industry Development Board for their continued confidence and support to NRL management.

For and on behalf of Board of Directors

Mumbai
Dated: 31-08-2006

Sd/-
Ashok Sinha
Chairman





Annexure to Directors' Report

Annexure - A

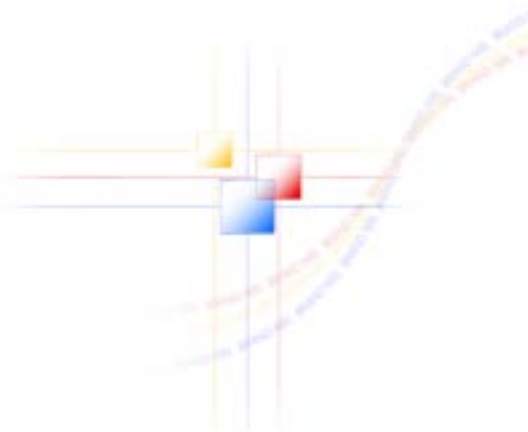
Efforts made by NRL with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, which are required to be given under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

a) Energy Conservation Measures Taken

As a part of NRL's continual efforts towards energy conservation and loss control, the following new Encon schemes have been taken up for implementation during the year 2005-06:

- Scheme for providing special type of Telescopic Insulation for all the 150 numbers of Catalyst Tubes at the reformer top to cover the bare hot tube length (550°C to 600°C) which comes out above the roof metal casing plate during running due to thermal expansion of the Catalyst Tubes was implemented. These Telescope Seals are capable of compensating at least 225 mm of Catalyst Tube movement (during thermal expansion). This project was selected for 1st prize by PCRA for exemplary work in energy conservation under medium category project.
- Implementation of 12 MW STG for utilizing surplus waste steam and recovering power from PRDS for which PMC has been lined up, tender has been floated and activities regarding the registration of the project under CDM have been initiated during the year.
- Combination Coke Cutting Tool in DCU has been implemented during the year.
- For the first time in the country, NRL adopted Step less control system in HCU make-up Gas Compressors for which majority of the jobs were completed during the year.
- Modification of one of the HRSG Boiler Feed Water pump to cater to the need of BFW requirement of both HRSG as well as Utility Boiler in CPP, for which detail engineering has been completed and fabrication started at the vendor's workshop during the year.
- Single burner operation of Utility Boiler has been implemented
- Ultrasonic mass flow meter to measure flare gas flow has been installed.
- During the Oil & Gas Conservation Fortnight in January, 2006 a joint team of CHT conducted furnace efficiency and insulation effectiveness survey.
- In addition to these, regular monitoring for any passing valves and fugitive emission by Acoustic Leak Detector and Gas Measuring Instrument (GMI) is carried out as part of loss control measures and timely remedial actions are taken as required. Suggestion scheme amongst the employee is also in place for identifying energy conservation schemes.



b) Energy Conservation Measures Planned

In continuation of its energy conservation efforts, NRL has identified various schemes for future implementation. Some of the schemes are as follows :

- Phase wise implementation of Advance Process Control (APC) in the remaining process plants (already implemented in CDU/VDU during 2004-2005).
- Use of natural Gas in GTG and Hydrogen Unit by replacing Naphtha.
- Replacement of conventional lighting fixtures by more energy efficient fittings.
- Improvement of insulation effectiveness of steam lines and heaters.
- Implementation of LDAR (Leak Detection and Repair Program).

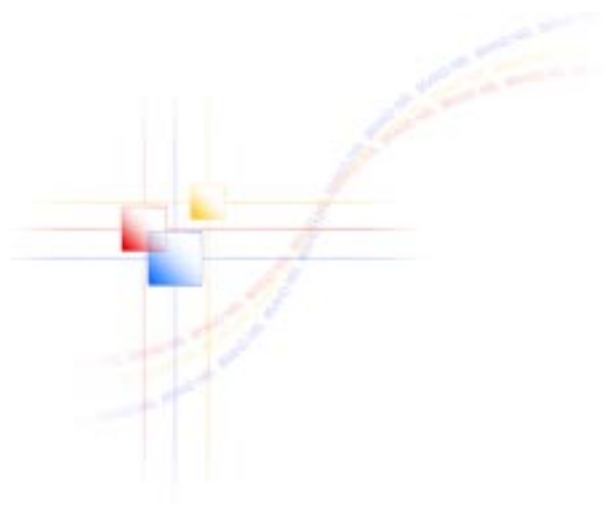
c) Details regarding total energy consumption and energy consumption per unit of production etc. are given in the prescribed form A

B. TECHNOLOGY ABSORPTION

NRL is taking up the advantages and benefits of latest development in technology for upgrading the products in line with Auto Fuel Policy of GOI and putting up the following projects.

- Technology for the 225 TMTA capacity MS Project for Euro-III grade MS production has been licensed by M/s. Axens, France. The technology will get fully absorbed on commissioning of project by July/August, 2006.
- While Hydrocracker technology provided by M/s. Chevron Lummas Global (CLG), USA, Hydrogen technology provided by M/s. Haldor Topsoe (HTAS), Denmark, PSA Technology provided by M/s. UOP, USA and Coke Calcination technology from M/s Svedala, USA were fully absorbed, NRL is in the process of implementing Diesel Quality Upgradation Project by Revamping the existing Hydrocracker and Hydrogen unit for producing entire HSD conforming to Euro-III Spec. through its present licensors M/s. CLG and M/s. HTAS.

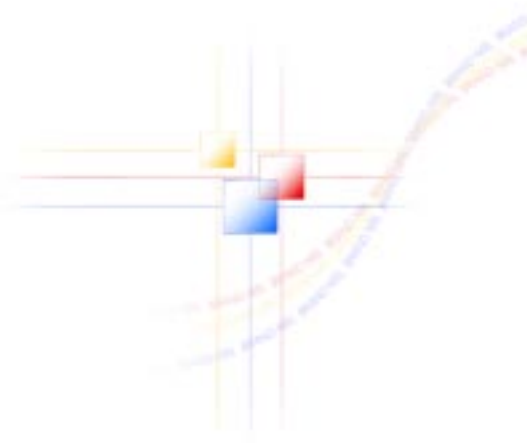
Details regarding the efforts made in technology absorption as per the prescribed Form B are annexed hereto.



FORM A

Form for disclosure of particulars with respect to conservation of energy

A. Power & Fuel Consumption		2005 - 06	2004 - 05
1. Electricity			
a) Purchased			
Unit (million KWH)		0.005	0.000
Total Amount (Rs. Million)		0.02	0.00
Rate / Unit (Rs. / KWH)		3.85	3.90
b) Own Generation			
i) Through Diesel Generator			
Units (million / KWH)		—	—
Units per ltrs. of Gas Oil		0.019	—
Cost / Unit (Rs. / KWH)		—	—
ii) Captive Power Plant			
Net (million KWH)		172.84	156.23
Fuel Consumption (Qty - MT)			
Naphtha		57298.60	52573.46
HSD		2064.34	2018.62
Total Fuel (MT)		59362.94	54592.08
Total Amount (Rs. Million)		1436.10	1061.43
Cost / Unit (Rs. / KWH)		8.31	6.79
2. Internal Consumption			
a) Liquid Fuel			
Quantity (MT)	Naphtha	34240.12	28260.43
	FO	38230.93	34754.16
	LPG	1691.40	1172.44
	Total Fuel (MT)	74162.46	64187.04
Total Amount (Rs. Million)		1425.05	938.24
Avg. Rate (Rs. / Unit)		19215.31	14617.25
b) Refinery Gas			
Quantity (MT)		87033.83	78376.37
Total Amount (Rs. Million)		1708.13	1100.84
Avg. Rate (Rs. / Unit)		19624.96	14045.55
B. Energy Consumption per unit of production			
	Unit	STD. IF ANY	
Electricity	KG/MT	2005-2006	2004-2005
		30.47	29.14
Liquid Fuel	KG/MT	38.07	34.26
Refinery Gas	KG/MT	44.68	41.84
Total	KG/MT	113.22	105.24



FORM B

Form for disclosure of particulars with respect to Technology Absorption

RESEARCH & DEVELOPMENT

A. Specific areas in which R&D is being carried out by the company

1. Optimisation of operating parameters for production of Euro III HSD at design throughput without installation of new units.
2. Optimisation of process variables and feed preparation for production of needle coke.

B. Benefits derived as a result of above R&D

1. NRL has established process feasibility of producing Euro III HSD through revamp of existing units.
2. Efforts are continuing for production of needle grade coke

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

NRL is presently implementing the MS project for production of Euro-III grade MS with the latest technological developments and advances from M/s Axens, France.

2. Benefits derived as a result of the above efforts, e.g. product quality improvement, cost reduction, product development, import substitution etc.

The MS project would add value to the surplus naphtha currently available in the refinery and would enhance the marketing flexibility.

3. Information regarding imported technology (imported during last five years reckoned from the beginning of the financial year)

a) Technology imported

Year of Import

Production of Euro-III grade MS

2003-04

b) Has Technology been fully absorbed?

Technology for production of Euro III MS will be absorbed once the MS project is fully commissioned.

Annexure - B

Report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance

Good Corporate Governance results in corporate excellence by ensuring that the powers vested in the executive management are used with care and responsibility to deliver sustained and long term value to its stakeholders. In NRL, our endeavour is to adopt best governance practices, which in our view are critical to ensure optimisation of returns and satisfaction levels accruing to all its stakeholders. The interest of all the stake holders including shareholders, employees, customers and the Government exchequer are given paramount importance while taking commercial decisions. The Company has been sharing various information with the shareholders from time to time through Press release, Annual Reports, etc. Being a non listed company, disclosures required to be made under clause 49 of the Listing Agreement are not mandatory. However, as a good corporate governance practice, relevant information on areas covered under Corporate Governance disclosures are furnished below :

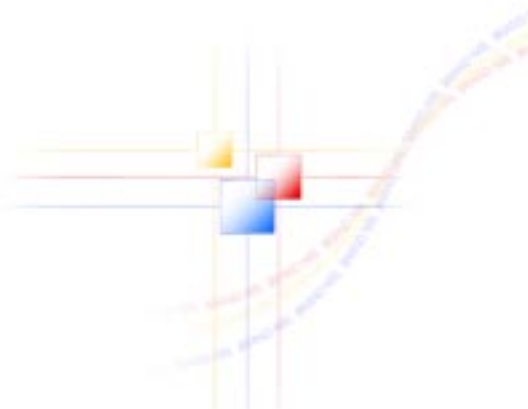
2. Board of Directors

NRL is a Government Company by virtue of being subsidiary of M/s. Bharat Petroleum Corporation Limited (BPCL), a Government Company. In accordance with the Articles of Association of the Company, the number of Directors shall not be less than three and more than fifteen. As on 31st March, 2006, there were ten Directors on the Board comprising three Whole-time (Executive) Directors and seven Non Executive Directors. Out of the ten Directors, three Whole time Directors including the Managing Director and one part time Non-executive Director representing the Ministry of Petroleum & Natural gas, Government of India were appointed by the President of India. Remaining six Directors including the Chairman were part-time Non-executive Directors representing the promoters comprising three Directors from Bharat Petroleum Corporation Limited, two Directors from Govt. of Assam and one Director from Kochi Refineries Limited (group company).

During the financial year 2005-06, all meetings of the Board and the Annual General Meeting were chaired by the Chairman of the Board of Directors. During the year, none of the Non-Executive Directors of the Company had any pecuniary relationship/ transaction with the Company.

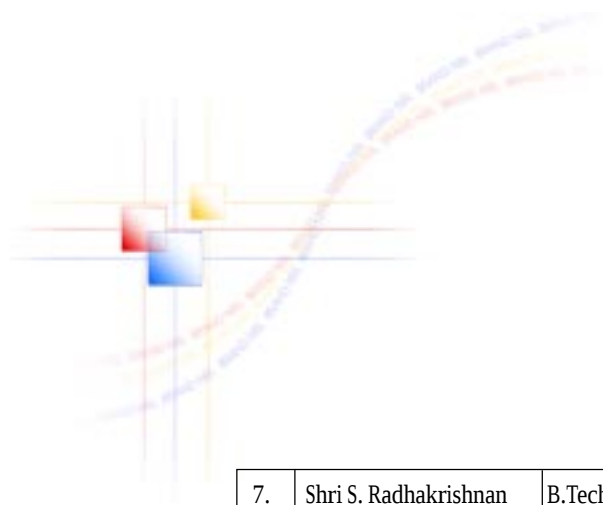
a) The details regarding the Board Meetings, Directors attendance thereat and the Annual General Meeting; Directorship held by the Directors as on 31st March, 2006, are as under :

Sl. No.	Name of the Directors	Academic Qualifications	Date of joining as Director of the Company	Attendance out of 5 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorship held in other Public Ltd. Companies
	Whole Time Directors			No. of Meeting Attended	%		
1.	Shri B. K. Das, Managing Director	B.E.(Hons) in Electronics, MBA (IIM, Ahmedabad)	03.01.96	5	100	Attended	Director 1. KRL
2.	Shri R. C. Choudhary, Director (Technical) (Retired on attaining the age of superannuation on 31-07-2006)	B.Tech (Mech. Engg.) M. Tech (Mech Engg.) MBA	06.03.98	5	86	Attended	—
3.	Shri T. K. Anantha Kumar Director (Finance)	B.Com, A.C.A	12.11.03	5	100	Attended	—



Sl. No.	Name of the Directors & organization	Academic Qualifications	Date of joining as Director of the Company	Attendance out of 5 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorship held in other Public Ltd. Companies
				No. of Meeting Attended	%		
1.	Shri Ashok Sinha Chairman & Managing Director, Bharat Petroleum Corpn. Ltd., Mumbai –400001. [Chairman of the Company]	B.Tech. (Elect.) M.B.A	14.09.01	5	100	Attended	C & MD 1. BPCL Chairman 1. KRL 2. IGL 3. BORL Director 1. BSL 2. PLL
2.	Shri P. C. Sharma, IAS Addl. Chief Secretary to the Govt. of Assam Industries & Commerce Department Dispur, Guwahati-781006	M. Sc., L. L. B.	28.01.04	Nil	Nil	Absent	Director 1. BRPL 2. AGCL 3. ASTC 4. AIDC
3.	Shri H. S. Das, IAS Commissioner to the Govt. of Assam Finance Department Dispur, Guwahati-781006	M. A.(Eco.)	29.08.00	3	60	Attended	1. AIDC 2. ATC 3. ASEB (Member)
4.	Shri Ajay Tyagi, IAS Joint Secretary, Ministry of Petroleum & Natural Gas Shastri Bhavan New Delhi – 110001 (upto 21-06-2005)	B. Tech (Elect.) M.Tech (Computer Science) M.B.A.	15.05.03	Nil	Nil	*	—
5.	Shri S.A. Narayan Director(HR) Bharat Petroleum Corpn. Ltd. Mumbai - 400001	B.Sc. (Hons), M.A. (Pers), L.L.B	14.09.01	2	40	Attended	Director 1. BPCL 2. KRL 3. PIL 4. BSL
6.	Shri Mukesh Rohatgi Director (Refineries) Bharat Petroleum Corpn. Ltd. Mumbai - 400001	B.Tech (Chem.) M.B.A.	11.12.02	3 (out of 3 meeting held in his tenure)	100	Attended	Director 1. BPCL 2. KRL 3. BORL





7.	Shri S. Radhakrishnan Director(Marketing) Bharat Petroleum Corpn. Ltd. Mumbai - 400001	B.Tech (Mech.) M.B.A.	11.12.02	5	100	Attended	Director 1. BPCL 2. KRL
8.	Shri B. K. Menon Managing Director Kochi Refineries Ltd. Kerala (upto 21-08-2006)	A.C.A.	19.08.02	2	40	Attended	Director 1. KRL 2. Petronet CCK Ltd.
9.	Shri Swami Singh, IAS Director (Natural Gas) Ministry of Petroleum & Natural Gas Shastri Bhavan New Delhi - 110001 (w.e.f. 28-03-2006 till 31-07-2006)	M. A. (Political Science)	28.03.06	—	—	*	—

BPCL : Bharat Petroleum Corporation Limited, **IGL** : Indraprastha Gas Limited, **BORL** : Bharat Oman Refineries Limited, **KRL** : Kochi Refineries Limited, **PLL** : Petronet LNG Limited, **PIL** : Petronet India Limited, **BSL** : Bharat Shell Limited, **BRPL** : Bongaigaon Refinery & Petrochemicals Limited, **AGCL** : Assam Gas Company Limited., **ASTC** : Assam State Transport Corporation, **ASEB** : Assam State Electricity Board, **AIDC** : Assam Industrial Corporation, **ATC** : Assam Tea Corporation.

Note :

1. Percentage computed by considering the meetings attended with the total meetings held during his tenure.
2. (*) Not a Board member as on the date of the AGM
- b) Five Board Meetings were held during the financial year 2005-2006. Date of these Board Meetings are given below :

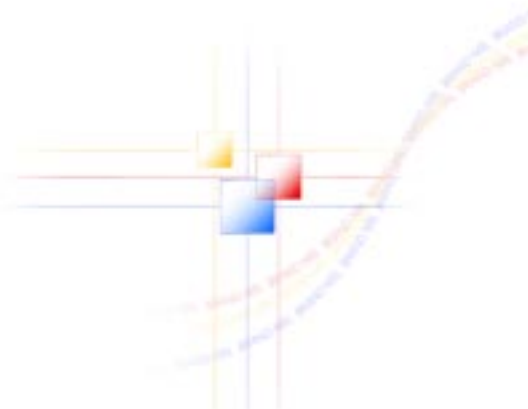
28 th April, 2005	22 nd July, 2005	9 th September, 2005
25 th November, 2005	31 st January, 2006	

3. Audit Committee

The Company has an Audit Committee pursuant to Section 292A of the Companies Act,1956.

The terms of reference of the Audit Committee of the Company covers all the activities stipulated under Section 292A of the Companies Act, 1956 including overseeing the audit functions, review of company's financial performance, review of critical findings of internal audit, reviewing with the Management, Statutory and Internal Auditors about the adequacy of the internal control systems, compliance with the Accounting Standards and other related matters. The Audit Committee also holds discussions with Statutory Auditors prior to the commencement of Audit to finalise the scope of Audit.





In accordance with Section 292A of the Companies Act, the Audit Committee of the Company consists two Non-Executive Directors (ex-officio part-time) namely- Shri P.C.Sharma & Shri H. S. Das and one Executive Director, namely - Shri R. C. Choudhary, Director (Technical). Shri P. C. Sharma is the Chairman of the Audit Committee. Shri P. C. Sharma has the adequate financial and accounting knowledge. Other members of the Audit Committee also have the adequate financial and accounting knowledge. In addition, Director (Finance), BPCL, Director (Finance), KRL, Secretary, OIDB, ED (Finance), BPCL, ED(Audit), BPCL are also invited to attend Audit Committee Meetings. The Audit Committee meetings were also attended by the Director (Finance) and the Managing Director of the Company as special invitee. Head of Internal Audit and Statutory Auditors also invited to attend the Audit Committee Meetings as and when required. The Company Secretary acts as the Secretary to the Audit Committee. Quorum for the meetings of the Committee is two Members

During the financial year 2005-06, the Audit Committee met four times i.e. on 28th April, 2005, 22nd July, 2005, 23rd November, 2005 and 24th January, 2006 respectively.

Attendance at the Audit Committee Meetings :

Name of the members	No of Meetings attended	% age thereof (out of five meetings held)	Attendance at the last Annual General Meeting
Shri P. C. Sharma, Chairman	1	25	Absent
Shri H.S.Das, Member	4	100	Attended
Shri R.C.Choudhary, Member	4	100	Attended

4. Remuneration Committee

The Company being a Govt. company, the remuneration of the whole-time Directors are determined by the Government of India and as such no remuneration committee has been constituted. Details of remuneration paid to the Whole-time Directors during the financial year 2005-2006 are as follows :

Name of Directors	All elements of remuneration package of the Directors i.e. salary, benefits, bonus, pension etc. (In Rs.)	Details of fixed component and performance linked incentives (In Rs.)	Other benefits (In Rs.)	Service Contracts, notice period, severance fees.
Shri B. K. Das Managing Director	13,56,480/-	Fixed Com: 8,54,119/- PLI : 72,325/-	4,30,036/-	On contract for five years w.e.f. 11-11-2002, which is renewable for further similar periods. Present contract expires on 10-11-07. Notice period: Three months
Shri R. C. Choudhary Director (Technical) (Upto 31-07-2006)	12,05,484/-	Fixed Com: 8,21,266/- PLI : 70,293/-	3,13,925/-	Retired on attaining the age of superannuation i.e. 31st July, 2006

Name of Directors	All elements of remuneration package of the Directors i.e. salary, benefits, bonus, pension etc. (In Rs.)	Details of fixed component and performance linked incentives (In Rs.)	Other benefits (In Rs.)	Service Contracts, notice period, severance fees.
Shri T.K. Anantha Kumar, Director (Finance)	13,35,812/-	Fixed Com : 7,06,558/- PLI : 66,610/-	5,62,644/-	On contract for five years w.e.f. 12-11-2003, which is renewable for further similar periods. Present contract expires on 11-11-08. Notice period: Three months

PLI : Performance Linked Incentive

5. Investors Grievance Committee

The Company, being a non listed Company with only nine shareholders, no such Committee has been formed.

6. Annual/Extra Ordinary General Meetings

a) Details of location, time and date of last three AGMs are given below:

	Date and Time of the Meetings	Venue
10 th Annual General Meeting	8 th August, 2003 at 3.00 P.M.	Company's Registered office at Lotus Tower, G.S.Road, Guwahati-781005
11 th Annual General Meeting	6 th August, 2004 at 3.00 P.M.	- Do-
12 th Annual General Meeting	9 th September, 2005 at 3.15 P.M.	-Do-

b) Details of Special Resolution passed during the last three years:

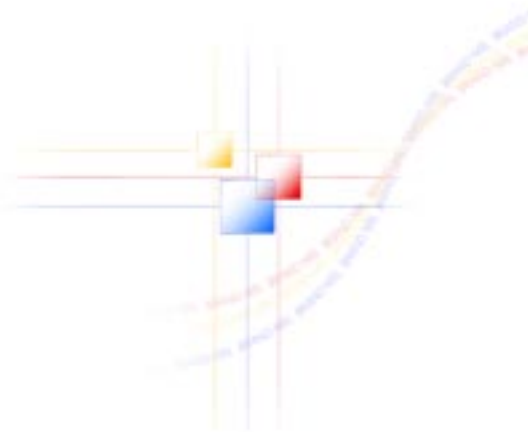
Special Business	Type of Resolution	Date of Meeting
Fixation of remuneration of Statutory Auditors	Special Resolution	08-08-2003

c) Postal ballot:

No resolution was passed in the 12th AGM through postal ballot. In the ensuing 13th AGM also, the Company has no such proposed resolution for approval of the shareholders through postal ballot.

7. Brief Resumes of Directors seeking re-appointment

The information to be provided in case of appointment / reappointment of Directors are as under:



i) Shri Ashok Sinha

Shri Ashok Sinha, erstwhile Director(Finance) and present Chairman and Managing Director of Bharat Petroleum Corporation Limited was appointed as Director by the Shareholders in the Annual General Meeting held on 14th September, 2001. He was elected as Chairman of the Board w.e.f. 11-03-2005 on his holding additional charge of C&MD, BPCL w.e.f. 01-03-2005.

Shri Ashok Sinha is a B. Tech.(Electrical Engg.) from Indian Institute of Technology, Kanpur and M.B.A. from Indian Institute of Management, Bangalore with specialisation in Finance. He has about 29 years of experience in the Petroleum Industry. In recognition of his role in the design and execution of information and knowledge management initiatives, Shri Sinha has been conferred with the India CFO Award - 2001 for information and Knowledge Management by the Economic Intelligence Unit (EIU) India and American Express. He was also conferred with the "Alumnus of the year Award" by the Indian Institute of Management, Bangalore. Shri Sinha was appointed as Chairman & Managing Director, BPCL with effect from 19-08-2005. He is also the Chairman of Indraprastha Gas Ltd. and Bharat Oman Refineries Limited and Director on the Boards of Bharat Shell Ltd. and Petronet LNG Ltd.

He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

ii) Shri S. Radhakrishnan

Shri S. Radhakrishnan, Director(Marketing) of Bharat Petroleum Corporation Limited was appointed as Additional Director by the Board w.e.f. 11-12-2002 and as Director by the Shareholders in the Annual General Meeting held on 8th August, 2003.

Shri S. Radhakrishnan is a B. Tech. (Mechanical Engg.) from Indian Institute of Technology, Madras and did his Master of Business Administration from Indian Institute of Management, Bangalore. He joined BPCL in 1977 and was holding several important positions. He has wide ranging experience in the Petroleum Industry. Prior to his appointment as Director (Marketing), BPCL, he was holding the position of Managing Director in Bharat Shell Ltd.

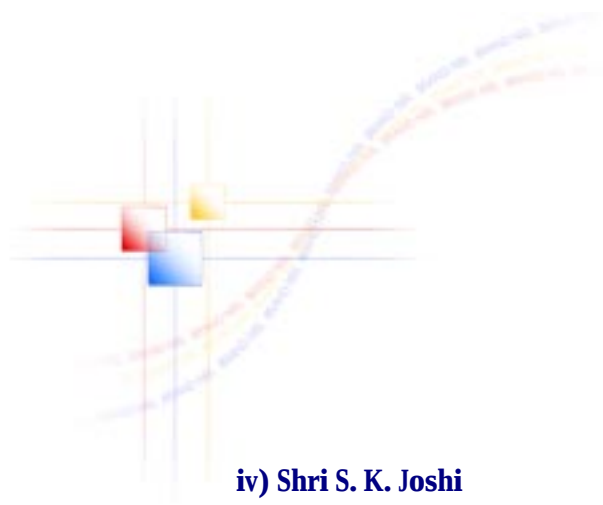
He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

iii) Shri R. K. Singh

Shri R. K. Singh, Director(Refineries), Bharat Petroleum Corporation Limited was appointed as Additional Director w.e.f. 04-04-2006 by the Board of Directors under the provisions of Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Shri R. K. Singh is a B. Tech.(Mechanical Engg.) from Benares Hindu University. He joined BPCL in 1978 and was holding several important positions. He is having wide experience in the Petroleum Industry. Prior to his appointment as Director(Refineries), he was holding the position of ED(LPG). Being an Additional Director, he will hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956 from a member, proposing his name as Director of the Company.



**iv) Shri S. K. Joshi**

Shri S. K. Joshi , Director(Finance), Bharat Petroleum Corporation Limited was appointed as Additional Director w.e.f. 04-04-2006 by the Board of Directors under the provisions of Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Shri S. K. Joshi is a Member of the Institute of Chartered Accountants of India and M.B.A. from University of Hull, United Kingdom. He joined BPCL in 1978 and had handled different aspects of the Finance function including corporate Accounts, Treasury and Risk Management. Shri Joshi was closely associated with the study group formed for the purpose of preparing a long term perspective plan for the oil industry in India. Prior to his appointment as Director(Finance), he was holding the position of ED (Corporate Treasury) in BPCL. Besides holding the directorship of BPCL, he is also a director of Petronet CI Limited and VI eTrans Pvt. Ltd. Being an Additional Director, he will hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956 from a member, proposing his name as Director of the Company.

v) Shri J. P. Rajkhowa

Shri J. P. Rajkhowa, is a senior IAS Officer (Retd.) of 1968 batch of Assam Meghalaya joint cadre and former Chief Secretary to the Govt. of Assam. Shri J. P. Rajkhowa did his B.A.(Hons.) in Economics from Cotton College under Gauhati University and M. A. (Economics) from Delhi School of Economics under Delhi University with specialization in Industrial & Agricultural Economics. During his 36 years of service, he was holding several key positions in various departments including the Finance, Industry & Commerce, Labour & Employment, Education, Home & Political Affairs etc. under the Govt. of Assam and with NTPC Ltd. as Director(Vigilance)/Executive Director(Vigilance) for a period of about six years(on deputation).

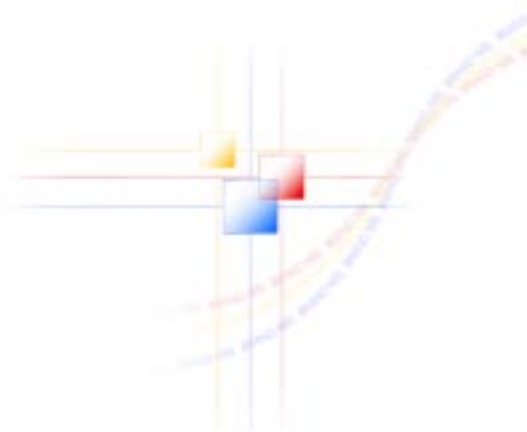
Shri Rajkhowa was appointed as Additional Director w.e.f. 26-07-2006 by the Board of Directors under the provisions of Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956. Shri J. P. Rajkhowa, being nominated by the Government as Non-Official part-time Director on the Board of the Company shall hold office for a period of 3 years w.e.f. the date of his appointment as Additional Director in accordance with the intentions of the Govt. of India. Being an Additional Director, he will hold office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956 from a member, proposing his name as Director of the Company.

vi) Shri C. B. Singh

Shri C. B. Singh, Joint Advisor (Finance-I), Ministry of Petroleum & Natural Gas, is a member of Indian Economic Service (1986). He is an M.A. in Economics from Allahabad University.

Shri C. B. Singh was appointed as Additional Director w.e.f. 26-07-2006 by the Board of Directors under the provisions of Article 85 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, in accordance with the intention of the Govt. of India. Being an Additional Director, he will hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956 from a member, proposing his name as Director of the Company.



**vii) Dipak Chakravarty**

Shri Dipak Chakravarty, was appointed as Director(Technical) with effect from 04-08.2006 under Articles 85 and 88(i) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, in accordance with the intention of the Government of India.

Shri Dipak Chakravarty is a graduate in Chemical Engineering from Assam Engineering College, Guwahati and did his MS in Chemical Engineering from North Western University, Evanston, USA. He has wide experience in Refinery Management. Prior to his appointment as Director(Technical), he was holding the position of GM(Production). Being an Additional Director, he will hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act,1956 from a member, proposing his name as Director of the Company.

8. Disclosures and compliance

- a. There was no material transaction with Directors or the Management or their relatives having potential conflict with the interest of the Company at large.
- b. There was no case of non-compliance by the Company and no penalty and stricture was imposed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during last three years.

9. Code of conduct, Procedure and Disclosures for prevention of Insider Trading and Code of Corporate Disclosure Practice

NRL being a non-listed company, the code is not applicable.

10. Means of communication

NRL being a non listed Company, requirement of publishing quarterly/half yearly and annual financial statements are not mandatory.

11. Management Discussion & Analysis Report

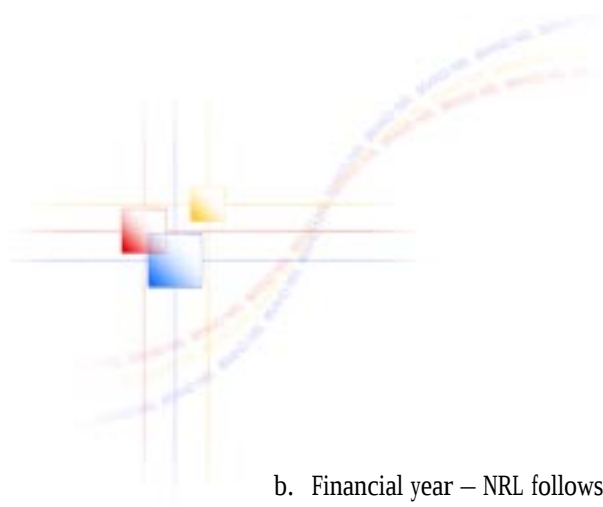
A detailed chapter on Management Discussion & Analysis is annexed to the Directors' Report.

12. General information to shareholders

a.

Number of AGM	13 th Annual General Meeting
Date and Time	22 nd September, 2006
Venue	Conference Hall of Hotel Brahmaputra Ashok, M.G. Road, Guwahati - 781 001
Dividend payment	The Board has recommended Dividend @ Rs. 1.90 per share for the consideration of the shareholders at the ensuing Annual General Meeting. If approved by the shareholders, the same will be paid within 30 days from the date of declaration.





- b. Financial year – NRL follows the financial year from April to March.
- c. Since the Company's shares are not yet listed , market price of share is not available.
- d. Registrars & Share Transfer Agents:

The company has no Registrars and Share Transfer Agents.

- e. Share Transfer System:

Share transfer proposals are put up to the Board for consideration as and when required.

- f. Shareholding Pattern as on 31-03-2006

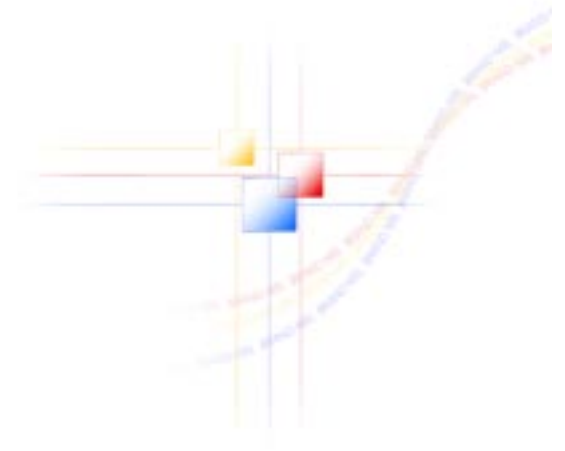
Sl. No.	Name of share holder	Capital contribution (In Rs.)	Nos. of shares held	Percentage of holding (%)
1.	Bharat Petroleum Corporation Limited	463,18,88,240/-	46,31,88,824	62.96
2.	Governor of Assam	90,82,13,370/-	9,08,21,337	12.35
3.	Oil Industry Development Board	90,80,00,000/-	9,08,00,000	12.34
4.	Oil India Limited	90,82,13,440/-	9,08,21,344	12.35
5.	Nominees of Promoters i.e. BPCL & Govt. of Assam	390/-	39	Negligible
	Total	735,63,15,440/-	73,56,31,544	100.00

- g. Plant location:

Numaligarh Refinery Limited
Pankagrath
P. O. Numaligarh Refinery Complex
Dist. Golaghat, Assam
Pin - 785699

- h. Address for correspondence:

Numaligarh Refinery Limited
147, Udayan
R. G. Baruah Road
Guwahati, Assam
Pin - 781005

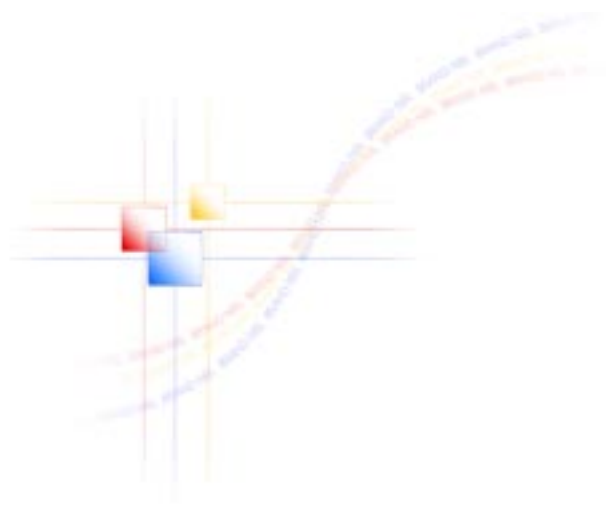


Annexure to Directors' Report

Annexure - C

Statement showing the total number of employees and the number of Scheduled Castes & Scheduled Tribes amongst them as on 01-01-2006.

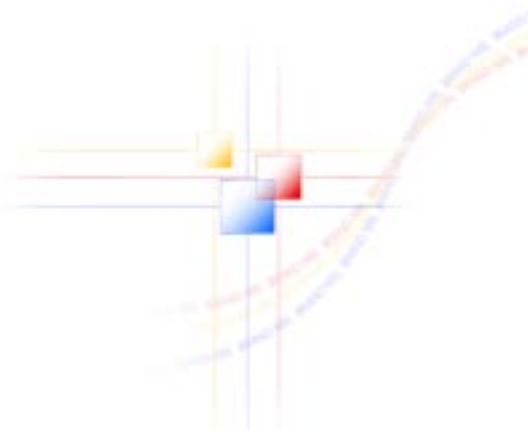
Group/Class	Permanent/ Temporary	Total No. of employees	Scheduled Castes	% of total employees	Scheduled Tribes	% of total employees	Remarks
Group - A Other than lowest rung of Group - A	Permanent	314	38	12.10	27	8.59	—
Lowest rung of Group - A	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total		314	38	12.10	27	8.59	—
Group - B	Permanent	—	—	—	—	—	—
Group - C	Permanent	371	25	6.73	48	12.94%	—
Group - D (Excluding Sweepers)	Permanent	13	—	—	6	46.15%	—
Group - D (Sweepers)	NIL	—	—	—	—	—	—
Total		698	63	9.02	81	11.60%	—



Statement showing representation of Scheduled Castes & Scheduled Tribes in each Service Controlled by the Ministry

Position as on 01-01-2006

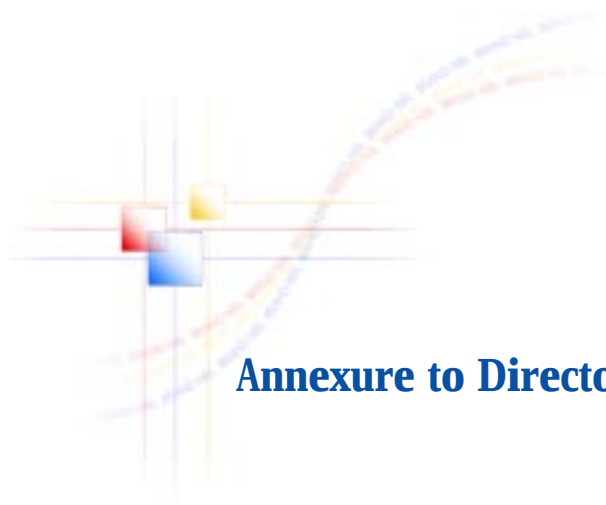
Grades of the Service including Scale of Pay		Groups	Total No. of Posts	Total No. of Employees	Employees belong to		
Grades	Scale of Pay				Other Community	SC	ST
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	NON-SUPERVISORY EMPLOYEES						
I	Rs. 3850	D	13	13	7	—	6
II	Rs. 4150	C	12	12	10	—	2
III	Rs. 4450	C	15	15	11	—	4
IV	Rs. 4700	C	8	8	5	2	1
V	Rs. 4900	C	48	48	38	1	9
VI	Rs. 5200	C	128	128	98	12	18
VII	Rs. 5350	C	149	149	126	10	13
VIII	Rs. 5650	B	11	11	10	—	1
	SUPERVISORY EMPLOYEES						
01	Rs. 6550 - 11350	A	—	—	—	—	—
02	Rs. 10750 - 16750	A	12	12	8	1	3
A	Rs. 12000 - 17500	A	78	78	42	23	13
B	Rs. 13750 - 18700	A	102	102	91	8	3
C	Rs. 16000 - 20800	A	55	55	48	5	2
D	Rs. 17500 - 22300	A	24	24	21	—	3
E	Rs. 18500 - 23900	A	25	25	22	1	2
F	Rs. 19000 - 24750	A	8	8	7	—	1
G	Rs. 19500 - 25600	A	8	8	8	—	—
H	Rs. 20500 - 26500	A	2	2	2	—	—



Statement showing the Number of Reserved vacancies filled by Members of Scheduled Castes & Scheduled Tribes during the year 2005

(During the year 2005)

Class of Posts	Total No. of Vacancies		Scheduled Castes						Scheduled Tribes					Remarks	
	Notified	Filled	No. of Vacancies reserved		No. of SC	No. of SCs	No. of STs candidates	No. of reservation lapsed	No. of Vacancies reserved						
			Out of Col. 2	Out of Col. 3	Candidates appointed	Vacancies carried forward	Appointed against vacancies reserved for SCs in the 3rd year of carry forward	After carrying forward for three years	Out of Col. 2	Out of Col. 3	No. of STs candidates appointed	No. of STs vacancies carried forward from the previous year	No. of SCs candidates appointed against vacancies reserved for STs in the 3rd year of carry forward	No. of reservations lapsed after carrying forward for three years	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Posts filled by Direct Recruitment Group - A Other than lowest rung of Group - A Lowest rung of Group - A	17	17	12	12	12	—	—	—	2	2	5	—	—	—	—
Group - B	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group - C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Group - D (Excluding Sweepers)	3	3	—	—	—	—	—	—	—	—	2	—	—	—	—
Group - D (Sweepers)	—		—	—	—	—	—	—	—	—	—	—	—	—	—
Posts filled by Promotion Group - A Other than lowest rung of Group - A	No Promotions have taken place to attract reservation.														
Group - B	No Promotions have taken place														
Group - C	No Promotions have taken place.														
Group - D (Excluding Sweepers)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—



Annexure to Directors' Report

Annexure - D

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NUMALIGARH REFINERY LIMITED, GUWAHATI FOR THE YEAR ENDED 31ST MARCH, 2006

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act 1956 on the accounts of Numaligarh Refinery Limited, Guwahati for the year ended 31st March, 2006.

Dated, Kolkata
The 14 June, 2006

Sd/-
A. Roychoudhury
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board - I,
K O L K A T A



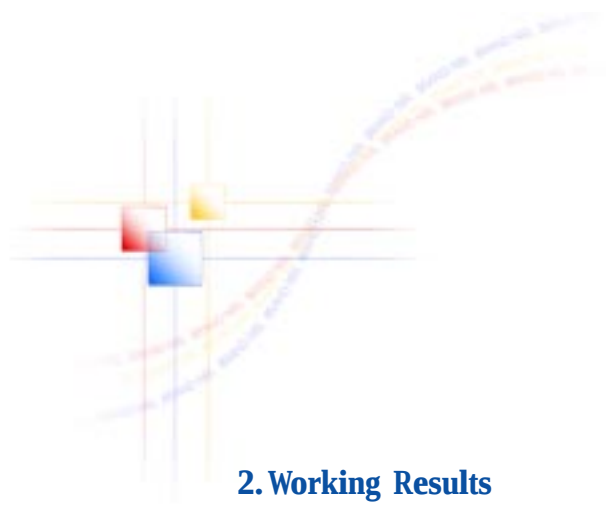
Review of Accounts of Numaligarh Refinery Limited for the year ended 31st March 2006 by the Comptroller & Auditor General of India

(Review of accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in Statutory Auditors' Report.)

1. Financial Position

	2003-04	2004-05	(Rs. in crore) 2005-06
Liabilities			
(a) Paid up capital			
Government of India (Holding Co.)	463.19	463.19	463.19
Others	272.44	272.44	272.44
(b) Reserves and Surplus			
(i) Free Reserves & Surplus	299.75	566.14	855.70
(ii) Capital Reserve	100.00	100.00	100.00
(c) Borrowings from:			
(i) Oil Industry Development Board	769.69	444.98	123.83
(ii) Banks (term loans)	208.60	8.51	307.50
(iii) Cash credit	189.32	175.68	163.19
(iv) Interest accrued and due	—	—	1.67
(d) Current Liabilities & Provision	717.44	806.39	897.08
(e) Deferred tax liability	306.64	410.66	395.53
TOTAL	3327.07	3247.99	3580.13
Assets			
f) i) Gross block	2515.93	2632.02	2666.99
ii) Less : Cumulative Depreciation	462.74	600.51	737.35
iii) Net Block	2053.19	2031.51	1929.64
g) Capital Work-in-Progress	125.64	144.59	297.06
h) Intangible Assets :			
i) Gross carrying amount	—	0.31	8.39
ii) Less Accumulated Amortisation	—	—	1.17
iii) Net carrying Amount	—	0.31	7.22
i) Investments	—	—	64.31
j) Current Assets, Loans and Advances	1148.24	1071.58	1281.90
TOTAL	3327.07	3247.99	3580.13
k) Working Capital [j – d–c (iv)]	430.80	265.19	383.15
l) Capital Employed [f(iii) + k]	2483.99	2296.70	2312.79
m) Net Worth [(a + b(i) – h(iii)]	1135.38	1301.46	1584.11
n) Net Worth per rupee of paid up capital (in Rupees)	1.44	1.77	2.15





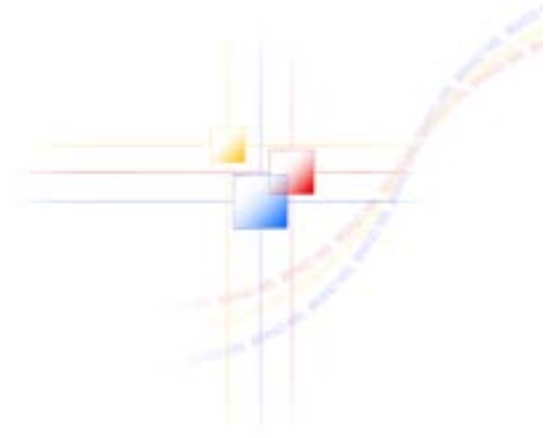
2. Working Results

			(Rs. in crore)
	2003-04	2004-05	2005-06
(i) Sales	3220.25	4298.99	5820.37
(ii) Less : Excise Duty	327.38	381.76	552.33
(iii) Net Sales	2892.88	3917.23	5268.04
(iv) Other income	8.39	11.87	18.78
(v) Claim from Industry pool Account	3.37	—	—
(vi) Profit (Loss) before Tax and Prior Period Adjustment	378.16	554.72	472.83
(vii) Prior Period Adjustment	0.93	(2.41)	(2.80)
(viii) Profit (Loss) before Tax	377.23	557.13	475.63
(ix) Tax provision	162.28	147.98	26.70
(x) Profit after Tax	214.95	409.15	448.93
(xi) Proposed Dividend including Tax on Dividend	73.03	142.76	159.37

3. Ratio Analysis

Some important financial ratios on the financial health and working of the company at the end of last three years are as under :

			(In percentage)
	2003-04	2004-05	2005-06
A. Liquidity Ratio			
Current Ratio	160	132.89	142.63
B. Debt Equity Ratio			
Long term Debt to Equity	68	27	25
C. Profitability Ratio			
a) Profit before tax to			
i) Capital Employed	15.19	24.26	20.57
ii) Net worth	33.22	42.81	30.03
iii) Sales	13.04	14.22	9.03
b) Profit after tax to Equity Capital	29.22	55.62	61.03
c) Earnings per share (Rupees)	2.92	5.56	6.10



4. Sources and Utilisation of Funds

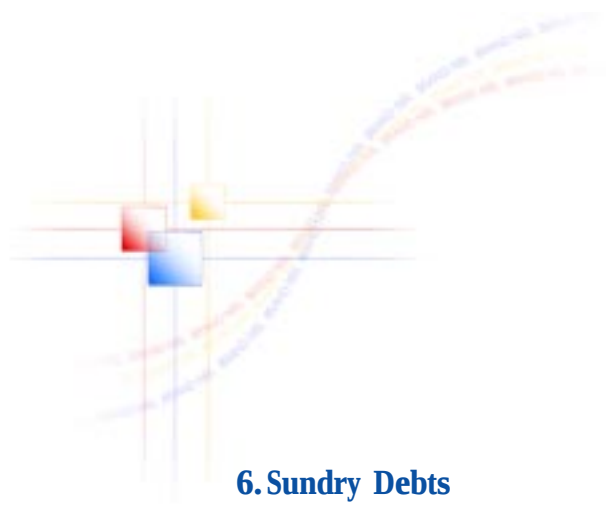
Funds amount to Rs. 571.81 crore from internal and external sources were generated and utilised during the year as shown below :-

Sources of Funds	(Rs. in crores)
Funds Generated from Operations:	
i) Profit after tax	448.93
ii) Less : Decrease in Deferred tax liabilities	15.13
	433.80
iii) Add: Depreciation & Amortisation	138.01
Total funds inflow during the year	571.81
Utilisation of Funds	
i) Addition to Fixed Assets and Capital Work-in Progress	187.44
ii) Increase in Investment	64.31
iii) Increase in Intangible Assets	8.08
iv) Decrease in borrowed funds	34.65
v) Increase in Working Capital	134.57
vi) Dividend paid	142.76
Total funds outflow during the year	571.81

5. Inventory Levels

The inventory level at the close of the last three years are given below :

	(Rs. in crore)		
	2003-04	2004-05	2005-06
i) Raw materials	110.85	88.79	94.97
ii) Stores & spares	45.55	68.23	48.83
iii) Finished goods	375.45	462.57	575.27
iv) Work-in-progress	63.37	97.85	79.02



6. Sundry Debts

The Sundry debts vis-à-vis sales in the last three years are given below :

Year ended as on	Sundry Debts			Sales during the year	(Rs. in crores)
	Considered Good	Considered Doubtful	Total		% of total sundry debts to sale
31-03-2004	229.74	—	229.74	3220.25	7
31-03-2005	175.78	—	175.78	4298.99	4
31-03-2006	268.00	—	268.00	5820.37	5

Dated : Kolkata,
The 14 June 2006

Sd/-
A. Roychoudhury
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board – I,
Kolkata

BRAND

Touching lives. Moving smiles.

NRL



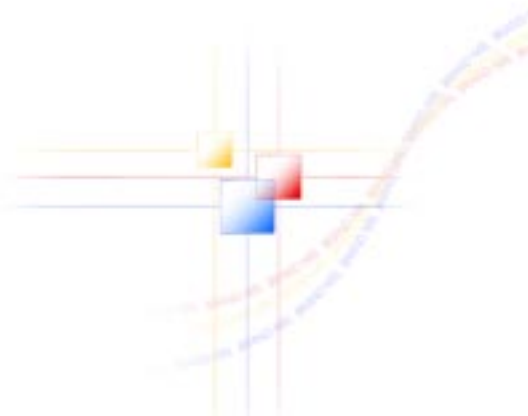


Auditors' Report

We have audited the attached Balance Sheet of Numaligarh Refinery Limited as at 31st March, 2006, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that :
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards as referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v) On the basis of Extra Ordinary Gazette Notification No. G. S. R. 829(E) dated 21-10-2003 issued by the Department of Company Affairs, Govt. of India, the provision of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, regarding "Disqualification of Directors" for appointment as director of a Government Company shall not apply to NRL, being a Government Company.



- vi) As a result of change in Accounting Policy relating to Intangible Assets reducing the amortization period from 10 years to 5 years, the profit for the year was understated by Rs. 5.70 million with corresponding reduction in Intangible Assets. (# Schedule X, Note 11)
- vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Schedules "A" to "X" enclosed thereto and subject to our comment in para 2 (vi) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March '06;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

Dated 3rd May, 2006
Guwahati - 781 001

Sd/-

D. Majumdar

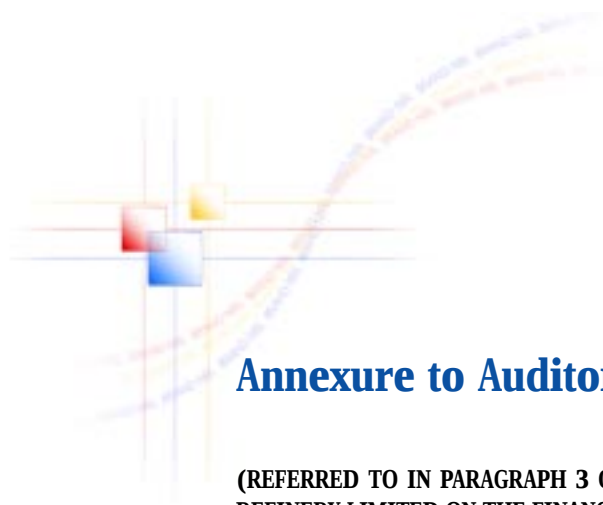
Partner

Membership No. 5766

U.C.Majumdar & Co.

Chartered Accountants

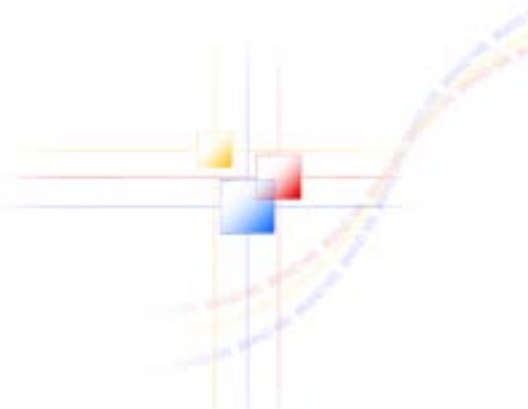




Annexure to Auditors' Report

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF NUMALIGARH REFINERY LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2006)

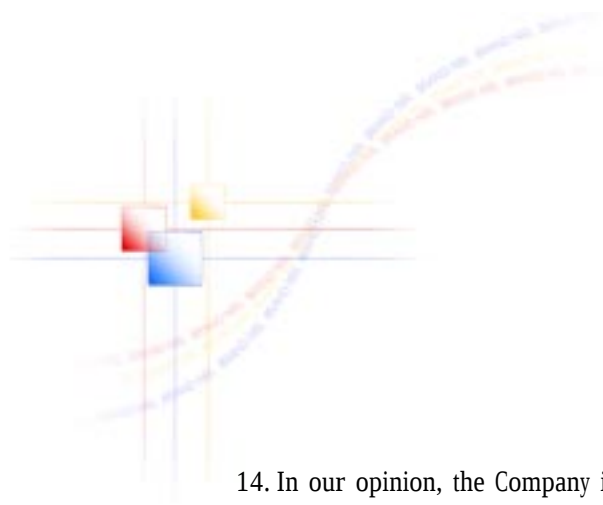
1. a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
b) The fixed assets of the Company have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and the discrepancies noticed between book records and physical inventory, which was not material, was adjusted.
c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. a) The inventories have been physically verified by the management during the year except in respect of inventories in transit, which were verified with subsequent receipts. In our opinion, the frequency of verification is reasonable.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of "The Act".
b) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of "The Act".
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. a) In our opinion and according to the information and explanations given to us, the particulars of contract or arrangements referred to in Section 301 of the Act have been entered in the Register required to be maintained under that section.



- b) Sub-clause (b) of sub-para (v) of para 4 of the Order is not applicable as there are no such transactions exceeding the value of Rupees Five Lacs in respect of any party in the financial year.
6. The Company 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. 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 in respect of petroleum industry and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records with a view to determining whether they are accurate or complete.
9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March, 2006 which have not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of dues	Amount (Rs. in Million)	From where dispute is pending
Excise Act, 1944 (Excise Duty including Penalty and Interest)	Excise Duty	1530.79	Appellate Authority, Central Excise

10. The Company has no accumulated losses as at 31st March, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, during the year the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.



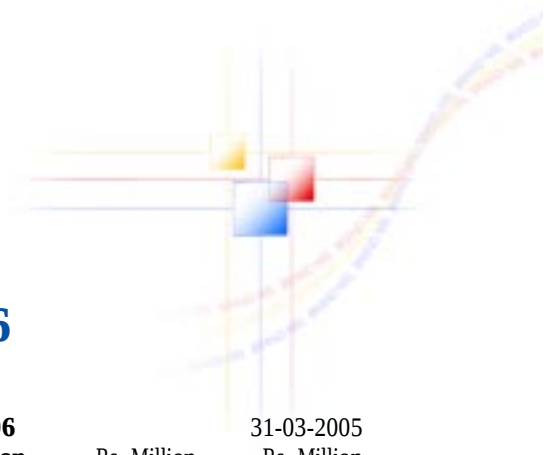
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, the term loans taken during the year have, prima facie, been applied for the purpose for which they were raised.
17. According to the information and explanations given to us, on an overall basis, we report that, prima facie:

the funds raised on short term basis during the year has not been used for long term investment.
18. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
19. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
20. The Company has not issued any debentures during the year and accordingly, the question of creation of security or charge does not arise.
21. The Company has not raised any money by public issues during the year.
22. During the course of our examination of the books and records of the Company, 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 Company, noticed or reported during the year, nor have we been informed of such case by the management.

Dated 3rd May, 2006
Guwahati - 781 001

Sd/-
D. Majumdar
Partner
Membership No. 5766
U. C. Majumdar & Co.
Chartered Accountants





Balance Sheet as at 31st March, 2006

	Schedule	Rs. Million	31-03-2006 Rs. Million	Rs. Million	31-03-2005 Rs. Million
SOURCES OF FUND					
(1) Shareholder's Fund					
a) Capital	A	7,356.32		7,356.32	
b) Reserve and Surplus	B	9,556.96	16,913.28	6,661.35	14,017.67
(2) Loan Funds	C				
a) Secured Loans		4,723.59		1,756.81	
b) Unsecured Loans		1,238.30	5,961.89	4,534.93	6,291.74
(3) Deferred Tax Liability (net)			3,955.29		4,106.50
TOTAL			26,830.46		24,415.91
APPLICATION OF FUND					
(1) Fixed Assets	D				
a) Gross Block		26,669.95		26,320.23	
b) Less : Depreciation		7,373.51		6,005.17	
c) Net Block		19,296.44		20,315.06	
d) Capital Work-in-Progress	E	2,970.61	22,267.05	1,445.90	21,760.96
(2) Intangible Assets					
a) Gross Carrying Amount		83.92		3.41	
b) Less : Accumulated amortisation		11.74		0.34	
c) Net carrying amount			72.18		3.07
(3) Investments	F		643.09		—
(4) Current Assets, Loans & Advances					
a) Inventories	G	7,980.93		7,174.40	
b) Sundry Debtors	H	2,680.03		1,757.85	
c) Cash & Bank Balances	I	309.02		13.39	
d) Other current Assets	J	2.76		—	
e) Loans & Advances	K	1,846.23		2,500.25	
		12,818.97		11,445.89	
Less: Current Liabilities & Provisions					
a) Liabilities	L	6,163.64		6,600.27	
b) Provisions	M	2,807.19		2,193.74	
Net Current Assets			3,848.14		2,651.88
TOTAL			26,830.46		24,415.91
Statement of Significant Accounting Policies and Notes forming part of Accounts	X				

For and on behalf of the Board of Directors

As per our attached report of even date

Sd/-
B.K. Das
Managing Director

Sd/-
T.K. Anantha Kumar
Director (Finance)

Sd/-
D. Majumdar
Partner
Membership No. 5766
U.C. Majumdar & CO.
Chartered Accountants

Sd/-
H.K. Sarmah
Company Secretary

Mumbai
Date : 28th April, 2006

Guwahati
Date : 3rd May, 2006



Profit & Loss Accounts for the year ended 31st March, 2006

	Schedule	31 March 2006 Rs. Million	31 March 2005 Rs. Million
INCOME			
Sale of products (Gross)	N	58,203.67	42,989.90
Less : Excise duty		5,523.25	3,817.58
Sale of products (Net)		52,680.42	39,172.32
Miscellaneous income	O	187.78	118.74
Increase (Decrease) in Inventory	P	938.68	1,216.03
TOTAL		53,806.88	40,507.09
EXPENDITURE			
Purchase of Product of Resale		395.00	6.17
Raw materials consumed	Q	42,606.15	29,945.82
Increase (Decrease) in Excise Duty on closing stock		39.42	(148.32)
Other duties, taxes etc. and other charges		1,575.86	1,033.46
Transportation		1,296.09	1,217.21
Consumption of stores, spares and materials	R	260.81	57.59
Power and Fuel	S	12.26	10.23
Employees remuneration and other benefits	T	384.26	346.32
Interest	U	347.11	555.03
Other operating and administration expenses	V	767.01	559.29
Depreciation		1,394.62	1,377.11
TOTAL		49,078.59	34,959.91
Profit		4,728.29	5,547.18
Prior period expenses net	W	(28.05)	(24.12)
Profit before tax		4,756.34	5,571.30
Provision for Taxation			
- Current Tax		406.30	439.68
- Fringe Benefit Tax		11.91	—
- Deferred Tax		(151.21)	1,040.10
Profit after tax		4,489.34	4,091.52
Balance brought forward from last year		0.10	0.10
Disposable Profit		4,489.44	4,091.62
Appropriations :			
Proposed dividend		1,397.70	1,250.57
Tax on Distributed Profits		196.03	177.05
		1,593.73	1,427.62
Transfer to General Reserve		2,895.61	2,663.90
Balance Carried to Balance Sheet		0.10	0.10
Earning per Share		6.10	5.56

For and on behalf of the Board of Directors

Sd/-
B.K. Das
 Managing Director
 Sd/-
H.K. Sarmah
 Company Secretary

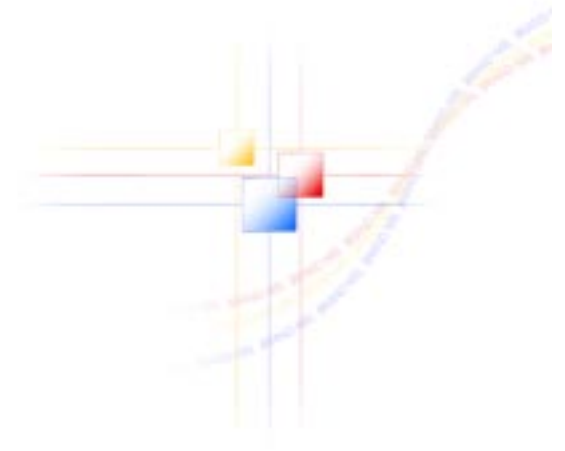
Mumbai
 Date : 28th April, 2006

As per our attached report of even date

Sd/-
T.K. Anantha Kumar
 Director (Finance)

Sd/-
D. Majumdar
 Partner
 Membership No. 5766
U.C. Majumdar & CO.
 Chartered Accountants

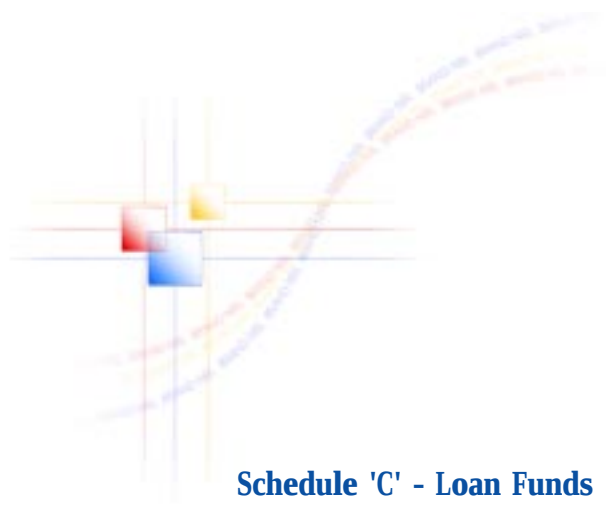
Guwahati
 Date : 3rd May, 2006

**Schedule 'A' - Share Capital**

	March 2006 Rs. Million	March 2005 Rs. Million
Authorised		
100,00,00,000 Equity Shares of Rs.10 each	10,000.00	10,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
Issued, subscribed and paid-up		
735631544 (735631544) fully paid equity shares of Rs. 10 each)*	7,356.32	7,356.32
Total	<u>7,356.32</u>	<u>7,356.32</u>
* Includes 463188824 (463188824) fully paid equity shares of Rs.10/- each held by the Holding company - Bharat Petroleum Corporation Limited		

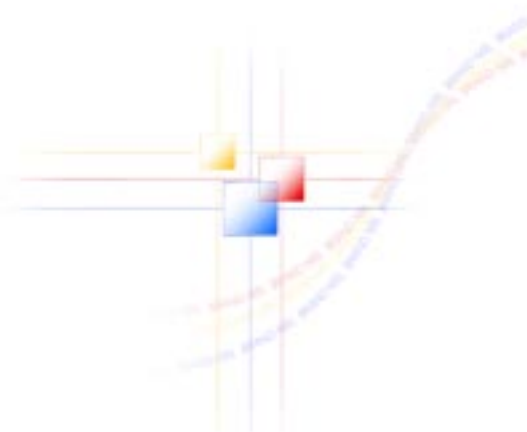
Schedule 'B' - Reserves & Surplus

	March 2006 Rs. Million	March 2005 Rs. Million
Capital Reserve		
As per last Balance Sheet	1,000.00	1,000.00
General Reserve		
Balance brought forward from Previous Year	5,661.25	2,997.35
Transfer from Profit & Loss Account	<u>2,895.61</u>	<u>2,663.90</u>
	8,556.86	5,661.25
Surplus as per Profit & Loss Account	0.10	0.10
Total	<u>9,556.96</u>	<u>6,661.35</u>



Schedule 'C' - Loan Funds

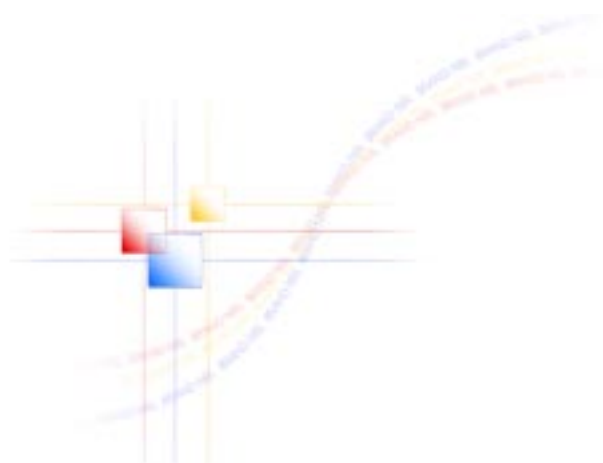
	March 2006 Rs. Million	March 2005 Rs. Million
Secured Loans		
Banks		
Term Loans	3,075.00	—
(Secured in favour of participating banks ranking pari-passu inter alia by hypothecation of Plant & Machinery, Office equipments, Electrical fittings and other Fixed Assets) [Due for repayment within one year Rs. 1800.00 Million (Previous year : Nil)]		
Interest accrued & due	16.70	—
(Secured against Township Land & Building) [Due for repayment within one year Rs. Nil Million, (Previous year : Rs. 68.00 Million)]		
Working Capital Loans/Cash Credit	1,631.89	1,756.81
(Secured by Hypothecation on Current Assets i.e. Stocks of raw materials finished goods, semi finished goods and book debts)		
Sub Total (a)	<u>4,723.59</u>	<u>1,756.81</u>
Unsecured Loans		
Short Term		
Foreign Currency Loans	—	85.07
Others		
Oil Industry Development Board	1,238.30	4,449.86
[Due for repayment within one year Rs. 200.00 Million (Previous year : Rs. 943.23 Million)]		
Sub Total (b)	<u>1,238.30</u>	<u>4,534.93</u>
Total (a) + (b)	<u>5,961.89</u>	<u>6,291.74</u>

**Schedule - D - Fixed Assets**

(Rs. Million)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01-04-05	Addition	Deductions on account of Retirement/ Reclassifications	As at 31-03-06	As at 31-03-05	For the year	Deductions on account of Retirement/ Reclassifications	Upto 31-03-06	As at 31-03-06	As at 31-03-05
	(1)	(2)	(3)	(4)= (1+2-3)	(5)	(6)	(7)	(8)= (5+6-7)	(9)= (4-8)	(10)= (1)-(5)
Land – Freehold	163.34	8.22	—	171.56	—	—	—	—	171.56	163.34
Building	2,464.27	204.55	2.79	2,666.03	196.38	48.55	0.76	244.17	2,421.86	2,267.89
Railway Sidings	293.83	—	(11.91)	305.74	62.68	14.38	(2.69)	79.75	225.99	231.15
Plant & Machinery	21,318.38	(1.06)	315.80	21,001.52	5,250.04	1,159.18	142.62	6,266.60	14,734.92	16,068.34
Tanks & Pipelines	1,617.83	—	(182.76)	1,800.59	344.59	84.71	(40.63)	469.93	1,330.66	1,273.24
Furniture & Fittings	45.81	3.35	0.13	49.03	14.58	14.28	0.03	28.83	20.20	31.23
Vehicle	14.01	0.37	(145.64)	160.02	5.13	13.91	(98.15)	117.19	42.83	8.88
Dispensing Tanks & Pipelines	—	69.47	(16.38)	85.85	—	1.08	(0.26)	1.34	84.51	—
Sundries Equipment	402.76	79.49	52.64	429.61	131.77	39.72	5.79	165.70	263.91	270.99
Grand Total	26,320.23	364.39	14.67	26,669.95	6,005.17	1,375.81	7.47	7,373.51	19,296.44	20,315.06
Previous year Figures	25,159.27	1,159.17	-1.79	26,320.23	4,627.43	1,377.91	0.17	6,005.17	20,315.06	20,531.84

- Freehold Land includes Rs. 24.16 Million (Rs. 15.94 Million) in respect of 357.82 acres(357.95 acres) of Land acquired through Government of Assam for which the process of registration is on and registration in the name of the Company is pending.
- Plant & Machinery includes Rs. 52.15 Million (Rs. 49.54 Million) towards assets ownership of which doesnot vest with the Company.The amount has been amortised over a period of 5 years,the amount charged off as depreciation for the current year is Rs 0.01 Million (Rs. 9.91 Million).
- Deduction from Gross Block (Column 4) includes :
 - Rs 12.84 (Rs Nil Million) on account of Write off of Physical Verification discrepancies.
 - Rs Nil Million(Rs. -2.48 Million) on account of CENVAT Credit adjustment.
 - Rs 1.82 Million(Rs. 0.69 Million) on account deletions and reclassifications.
- Depreciation for the year (column 7) includes :
 - Charged to Profit & Loss Account Rs. 1394.62 Million(Rs. 1377.11 Million)
 - Charged to previous year expenses Rs. -18.81 Million (Rs. 0.80 Million)
- Deduction from Depreciation(Column 8) includes :
 - Rs. 6.57 (Rs. Nil Million) on account of Write off of Physical Verification discrepancies.
 - adjustment of depreciation of Rs. nil Million (Rs. -0.45 Million) on account of Cenvat credit adjustment.
 - withdrawl of depreciation of Rs. 0.90 Million(Rs. 0.84 Million) on account deletions.



Schedule - Intangible Assets

(Rs. Million)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01-04-05	Addition	Deductions on account of Retirement/ Reclassifications	As at 31-03-06	As at 31-03-05	For the year	Deductions on account of Retirement/ Reclassifications	Upto 31-03-06	As at 31-03-06	As at 31-03-05
	(1)	(2)	(3)	(4)= (1+2-3)	(5)	(6)	(7)	(8)= (5+6-7)	(9)= (4-8)	(10)= (1)-(5)
Intangible Assets	3.41	80.51	—	83.92	0.34	11.40	—	11.74	72.18	3.07

Schedule 'E' - Capital Work-in-Progress

March 2006
Rs. Million

March 2005
Rs. Million

Capital work-in-progress (at Cost)

Work-in-progress	1,932.77	1,280.64
Capital Advances (Unsecured, Considered good)	373.49	18.67
Capital Stores (including lying with contractors)	484.90	—
Capital goods in transit	—	71.56

Construction period expenses

Opening balance	75.03	298.81
Add : Expenditure during the year		
Establishment charges	35.26	25.52
Interest	62.96	29.38
Others	12.05	9.82
	185.30	363.53
Less : Allocated to assets during the year	5.85	288.50
Balance pending allocation at the end of the year	179.45	75.03
Total	2,970.61	1,445.90

Schedule 'F' - Investment

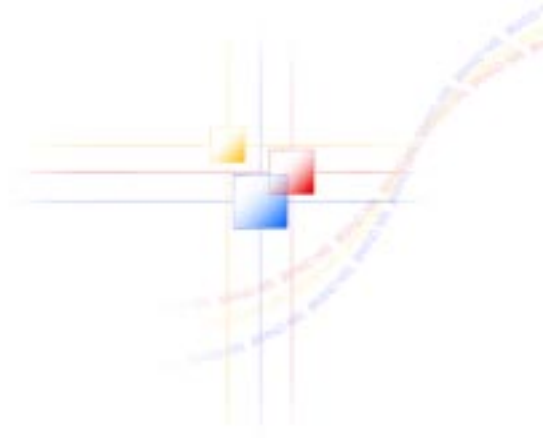
March 2006
Rs. Million

March 2005
Rs. Million

Non Trade 'Long Term'

Investment in 7% Oil Companies GOI Special Bonds	643.09	—
Total	643.09	—



**Schedule 'G' - Inventories****(As taken, valued and certified by the Management)**

	March 2006	March 2005
	Rs. Million	Rs. Million
Stores and spares	427.61	466.18
Stores and spares in Transit	60.70	216.13
Raw materials	949.73	887.88
Stock in process	790.21	978.49
Finished products	5,752.68	4,625.72
Total	<u>7,980.93</u>	<u>7,174.40</u>

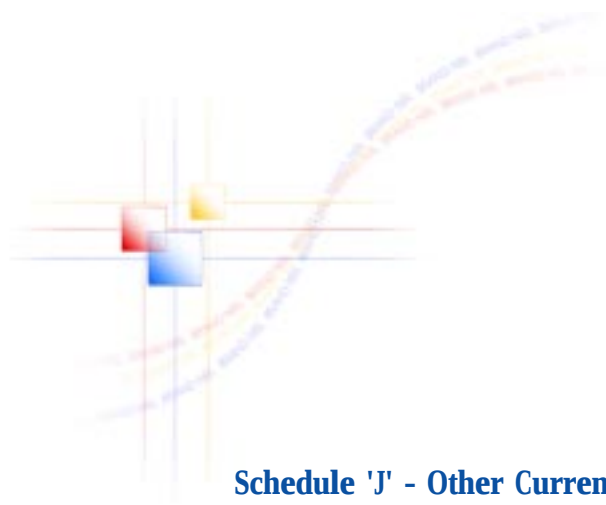
Schedule 'H' - Sundry Debtors**(Unsecured, Considered good unless otherwise stated)**

	March 2006	March 2005
	Rs. Million	Rs. Million
Debts outstanding for over six months :	2.89	6.98
Other debts	2,677.14	1,750.87
Total	<u>2,680.03</u>	<u>1,757.85</u>

Schedule 'I' - Cash and Bank Balances

	March 2006	March 2005
	Rs. Million	Rs. Million
Cash on Hand	0.19	0.24
[Includes cheques of Rs. Nil Million (Rs. 0.24 Million) on hand]		
With Scheduled banks :		
In current accounts	8.83	7.89
In deposit accounts	300.00	—
Remittances in transit	—	5.26
Total	<u>309.02</u>	<u>13.39</u>





Schedule 'J' - Other Current Assets

	March 2006 Rs. Million	March 2005 Rs. Million
Interest accrued on Investments	2.65	—
Interest accrued on Fixed Deposits	0.11	—
Total	2.76	—

Schedule 'K' - Loans and Advances (Unsecured, Considered good unless otherwise stated)

	March 2006 Rs. Million	March 2005 Rs. Million
Advances :		
Advances recoverable in cash, or in kind or for value to be received	32.89	89.48
Loans (Secured) :		
To staff *	177.98	89.39
Loans:		
To staff *	—	64.78
To others	—	1.79
Claims :		
Considered good	111.06	1481.31
Considered doubtful	18.19	1548.68
	129.25	3,029.99
Less : Provn. for doubtful Claim	18.19	1,548.68
	111.06	1,481.31
Tax paid:		
Advance Tax paid	1,117.89	751.66
Income Tax Refund due	2.53	2.53
Deposits :		
Others	403.88	19.31
Total	1,846.23	2,500.25

* Includes :

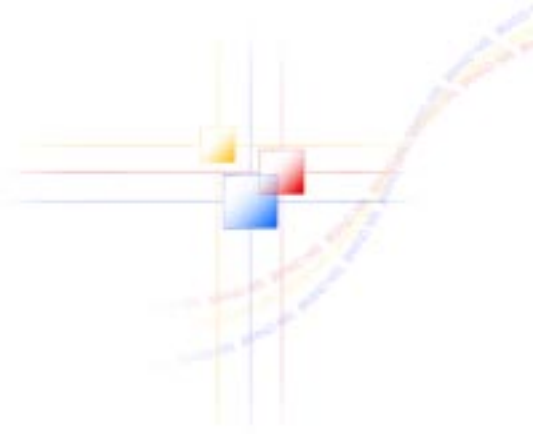
Due from Officers : Rs. 132.89 Million (Rs. 118.40 Million)

Maximum balances : Rs. 138.76 Million (Rs. 120.78 Million)

Due from Directors : Rs. 0.75 Million (Rs. 1.24 Million)

Maximum balances : Rs. 1.55 Million (Rs. 1.55 Million)



**Schedule 'L' - Liabilities**

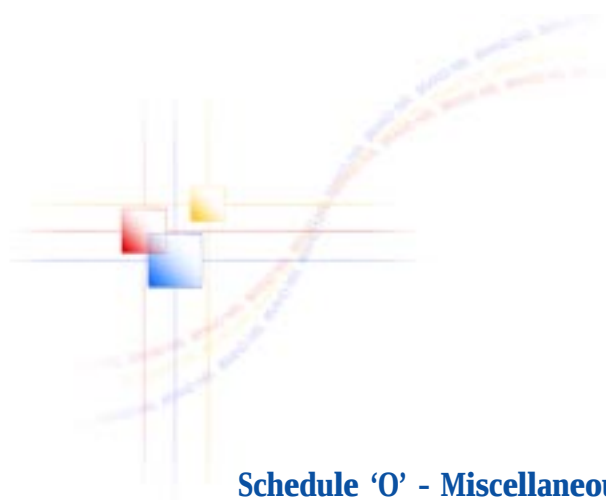
	March 2006		March 2005	
	Rs. Million		Rs. Million	
Current Liabilities :				
Sundry creditors	31-03-2006	31-03-2005		
Total outstanding dues to SSI's	—	—		
Total outstanding dues to creditors other than SSI's	<u>4,951.62</u>	<u>5,696.32</u>	4,951.62	5,696.32
Other liabilities			1,200.16	877.01
Bank Account - Book Overdraft			11.86	26.11
Interest Accrued but not due on Loans			—	0.83
Total			<u>6,163.64</u>	<u>6,600.27</u>

Schedule 'M' - Provisions

	March 2006		March 2005	
	Rs. Million		Rs. Million	
Provision for Taxation			1,147.90	730.06
Proposed dividend			1,397.70	1,250.57
Tax on Distributed Profits			196.03	175.39
Provision for retirement benefits			65.56	37.72
Total			<u>2,807.19</u>	<u>2,193.74</u>

Schedule 'N' - Sale of Products

	March 2006		March 2005	
	Rs. Million		Rs. Million	
Sales (Gross)			58,052.85	42,867.65
Net Recovery from/(payment to) Industry Pool Account			43.51	—
Terminaling Charges from OMCs			107.31	122.25
Total			<u>58,203.67</u>	<u>42,989.90</u>

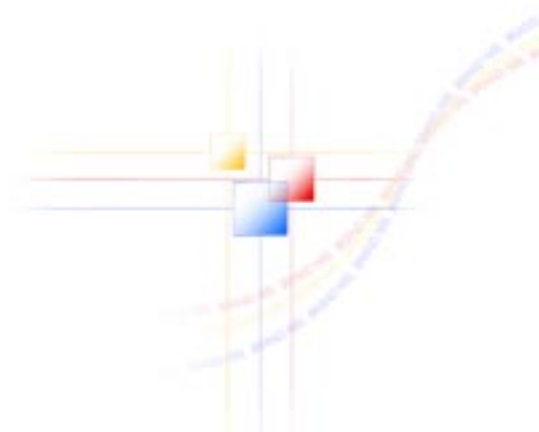


Schedule 'O' - Miscellaneous Income

	March 2006 Rs. Million	March 2005 Rs. Million
Interest on bank deposits and others	6.06	14.16
Income from Investment		
Short Term		
Profit on Sale of Investment	—	3.27
Long Term		
Interest income from longterm Investment (7% GOI Oil Bond)	25.16	—
Excess Provision for Expenses Written back	32.47	—
Other income	123.96	97.86
Exchange Fluctuations Gain (Net)	0.13	3.45
Total	187.78	118.74

Schedule 'P' - Increase/(Decrease) In Inventory

	31-03-2006	31-03-2005	March 2006 Rs. Million	March 2005 Rs. Million
Value of closing stock of				
Finished goods	5,752.68	4,625.72		
Stock in process	790.21	978.49		
			6,542.89	5,604.21
Less :				
Value of opening stock of				
Finished goods	4,625.72	3,754.48		
Stock in process	978.49	633.70		
			5,604.21	4,388.18
Total			938.68	1,216.03

**Schedule 'Q' - Raw Materials Consumed**

	March 2006	March 2005
	Rs. Million	Rs. Million
Opening Stock	887.88	1,108.54
Add : Purchases	42,668.00	29,725.16
	43,555.88	30,833.70
Less : Closing Stock	949.73	887.88
Raw Material Consumed	42,606.15	29,945.82

Schedule 'R' - Consumption of Stores, Spares and Materials

	March 2006	March 2005
	Rs. Million	Rs. Million
Stores, spares and materials	314.43	103.46
Less : Charged to other revenue accounts	53.62	45.87
Total	260.81	57.59

Schedule 'S' - Power and Fuel

	March 2006	March 2005
	Rs. Million	Rs. Million
Power and Fuel	2,086.27	1,899.90
Less : Consumption of fuel out of own production	(2,074.01)	(1,889.67)
Total	12.26	10.23

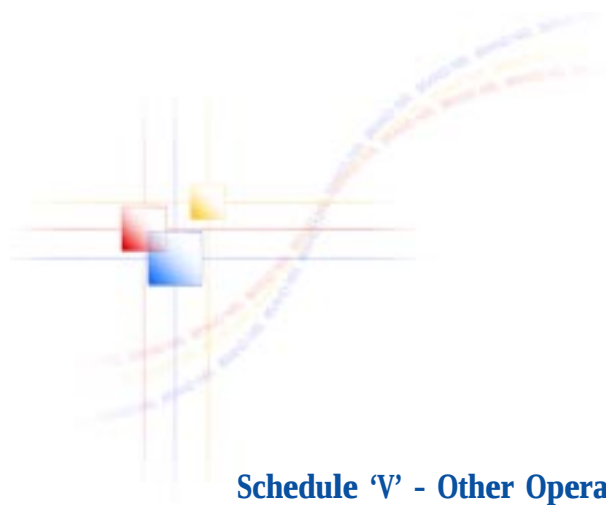
Schedule 'T' - Employees' Remuneration and Other Benefits

	March 2006	March 2005
	Rs. Million	Rs. Million
Salaries and wages	291.67	192.86
Contribution to provident fund and other funds	22.87	20.12
Contribution to gratuity fund	2.70	5.67
Welfare expenses	67.02	127.67
Total	384.26	346.32

Schedule 'U' - Interest

	March 2006	March 2005
	Rs. Million	Rs. Million
On Fixed Loans	209.98	505.15
Others	137.13	49.88
Total	347.11	555.03





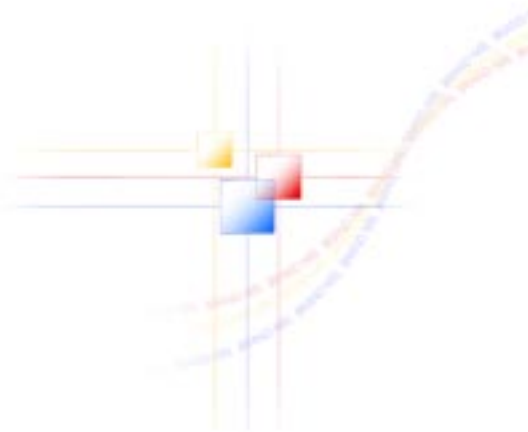
Schedule 'V' - Other Operating and Administration Expenses

	March 2006 Rs. Million	March 2005 Rs. Million
Repairs and maintenance :		
Machinery	136.49	127.51
Building	9.46	19.19
Others	212.27	13.59
	<u>358.22</u>	<u>160.29</u>
Insurance	68.63	59.89
Rent	15.24	61.71
Rates and taxes	(2.32)	1.83
Charity & donation	14.95	10.47
Remuneration to Auditors	0.26	0.17
Utilities	3.81	6.01
Facility hire charges	46.85	—
Travelling and conveyance	66.25	75.11
Telephone, Telex, Cables, Postage etc.	7.69	8.26
Loss on sale / write off of Fixed Assets (net)	6.59	0.17
Provision for Stores and Consumable & Others	50.47	34.22
Provision for Contingencies	—	11.07
Other expenses	118.97	129.75
Amortisation of Intangible Asset	11.40	0.34
Total	<u><u>767.01</u></u>	<u><u>559.29</u></u>

Schedule 'W' - Prior Period Expenses (Income) (Net)

	March 2006 Rs. Million	March 2005 Rs. Million
Sale of Products	—	(2.50)
Raw Materials Consumed	—	(4.17)
Consumption of Stores	3.86	(26.84)
Other operating and administration expenses	(13.10)	8.59
Depreciation	(18.81)	0.80
Total	<u><u>(28.05)</u></u>	<u><u>(24.12)</u></u>





Schedule 'X'

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements are prepared under historical cost convention in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, on accrual system of accounting except where otherwise stated.

2. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statement and notes thereto. Differences between actual results and estimates are recognized in the period in which they materialize.

3. Fixed Assets

- 3.1 Fixed assets are stated at original cost and are inclusive of all expenses to bring them to a state of use.
- 3.2 Expenditure on assets, other than plant and machinery and land, not exceeding Rs. 1000 per item is charged to revenue.
- 3.3 Machinery spares that can be used in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to Profit and Loss Account.
- 3.4 Construction period expenses including the borrowing cost exclusively attributable to projects are capitalized. Indirect expenses of the project group is allocated to capital facilities costing Rs. 50 million & above.

4. Depreciation

- 4.1 Depreciation on the fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Additions to fixed assets during the year are being depreciated on pro rata basis from the beginning of the month in which such Assets are capitalized.
- 4.2 Individual assets costing upto Rs. 5000/- are depreciated fully in the year of purchase.
- 4.3 Depreciation of assets not owned by the Company is amortized over a period of five years from the year of capitalization.

5. Investment

Government Securities and Bonds are valued at lower of 'Cost price' or 'Redemption Price'.

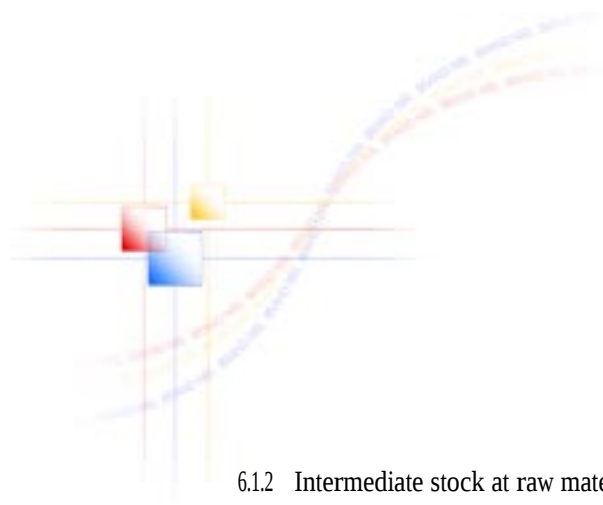
6. Valuation of Inventories

6.1 Raw Material & Intermediate

Raw material and intermediate are valued at cost. Cost is determined as follows :

- 6.1.1 Crude Oil on first in first out basis.





6.1.2 Intermediate stock at raw material cost plus cost of conversion.

In case there has been a decline in the price of raw material and the realizable value of the finished products are expected to be lower than the cost of the finished products, raw material and intermediate are valued at net realizable value.

6.2 Finished Product

Finished Products are valued at cost on first in first out basis or at net realisable value, whichever is lower.

6.3 Stores and spares are valued at cost (on weighted average basis) or at estimated realisable value, whichever is lower.

7. Cenvat

Cenvat credit on eligible Revenue/Capital purchase is taken on receipt of such materials.

8. Claims and provisions

Claims on/surrenders to Petroleum Planning & Analysis Cell, Government of India are booked on in principle acceptance thereof on the basis of available instructions/clarifications, subject to final adjustment after Pool audit. Other claims are booked when there is a reasonable certainty of recovery. Provisions, as appropriate, are made based on merits.

9. Classification of Income / Expenditure

9.1 Income and expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year.

9.2 Prepared expenses upto Rs. 0.01 million in each case, are charged to the revenue as and when incurred.

9.3 Liabilities for expenses are provided only if, the amount exceeds Rs. 0.01 million in each case.

9.4 Sale of scrap is accounted for on realisation basis

10. Retirement Benefits

10.1 Contribution made to Provident Fund is charged off to Profit and Loss Account.

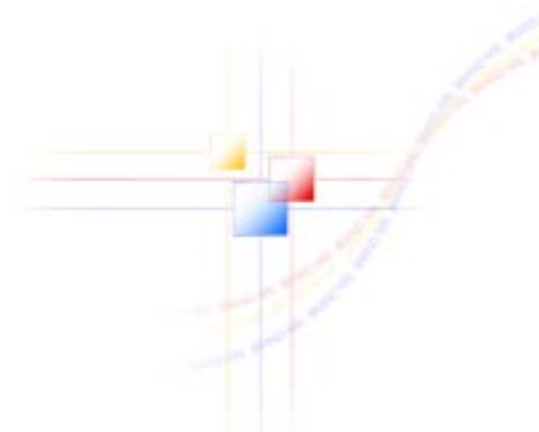
10.2 Liability towards gratuity is paid to a Fund maintained by LIC and administered through a separate trust set up by the Company. Difference between the fund balance and the accrued liability, determined based on the actuarial valuation as at the year end, is charged to Profit & Loss Account.

10.3 Other retirement benefits are actuarially evaluated at the year-end and provided for in the accounts.

11. Duties on Bonded Stocks

Excise duty on Finished stocks lying in bond is provided for, at the average of the assessable value applicable for each product.





12. Foreign Exchange Variation

Assets and liabilities, other than the non-monetary items which are carried in terms of historical costs, relating to transactions involving foreign currency are converted at exchange rates prevailing at the year-end. Any loss or gain arising out of settlements/conversions is adjusted in the Profit & Loss Account.

13. Government Grant

Government grants in the nature of promoters' contribution are credited to capital reserve and are treated as part of shareholder's funds.

14. Capital Commitments & Contingent Liabilities

Capital Commitments & Contingent liabilities are considered only where the value exceeds Rs. 0.10 million in each case.

Show cause notices issued by various Government authorities when converted into demand are only considered as Contingent liabilities.

15. Miscellaneous Expenditure

Preliminary expenditure and deferred revenue expenditure incurred during the project period and not capitalised either directly or indirectly is shown in the Balance Sheet as Miscellaneous Expenditure and is written off proportionately over a period of 36 months from the date of commencement of commercial production.

16. Taxes on Income

- 16.1 Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.
- 16.2 Deferred Tax on account of timing difference between taxable income and accounting income is provided considering the tax rates and tax laws enacted or substantively enacted by the Balance Sheet date.

17. Accounting Policy for Impairment of Fixed Asset

The carrying values of fixed assets of the identified cash generating units (CGU), are reviewed for impairment at each Balance Sheet date when events or changes in circumstances indicate that the carrying values may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets of the CGU are written down to the recoverable amount and the impairment losses are recognized in the profit and loss account. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

18. Intangible Assets

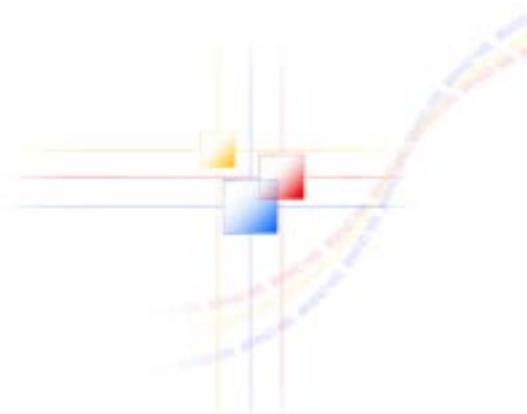
Expenditure incurred for creating / acquiring intangible assets from which future economic benefit will flow over a period of time was amortised till last year over a period of 10 years or the estimated useful life of the asset, whichever is lower, from the date of deriving the economic benefit from the asset. However, from this year, the company has decided to reduce the period of amortization from 10 years to 5 years.

B. NOTES FORMING PART OF ACCOUNTS

- 1) Capital Reserve represents grant of Rs. 1000 million received from the Government of India during the project period.
- 2) The Company is eligible for 100% Income Tax exemption pursuant to the provisions of section 80IB of the Income Tax Act, 1961. However, provision in respect of Minimum Alternate Tax (MAT) has been made as per the requirements of the provisions of section 115 JB of the Income Tax Act.
- 3) As per the requirement of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India the net deferred tax liability charged to profit during the year is (Rs. 151.21) million (previous year Rs. 1040.10 million). The year end position of Deferred Tax Liability and Asset is given below :

	2005-06 Rs. in Million	2004-05 Rs. in Million
a) DEFERRED TAX LIABILITY		
Difference of Book Depreciation & Tax Depreciation	3,964.26	4,109.60
b) DEFERRED TAX ASSETS		
Difference in write offs under companies Act and Income tax Act	2.85	3.10
Provisions for doubtful claims	6.12	—
Total	8.97	3.10
NET DEFERRED TAX LIABILITY	3,955.29	4,106.50

- 4) Provision for taxation in the Profit and Loss Account includes Rs. 1.08 million towards wealth tax (previous year Rs. 1.11 million).
- 5) No amounts are outstanding for more than 30 days in the books of the company against supplies made by undertakings catagorised as Small Scale Industrial Units. The above information is given to the extent available with the company.
- 6) The company is operating under a single segment, i.e., downstream petroleum sector (Refinery and Marketing).
- 7) Recovery made from Whole time Directors during the year for use of Company's hired car is Rs. 0.01 million (Previous year Rs. 0.01 million).
- 8) To augment crude availability of the four refineries in Assam, Ravva crude was brought in to Bongaigaon Refinery and Petrochemicals Limited (BRPL) and the transportation cost, entry tax and other incidentals thereof was to be shared by all four refineries. The company's share of the transportation cost, entry tax



and other incidentals thereof has been included in crude price and also considered for valuation of stock.

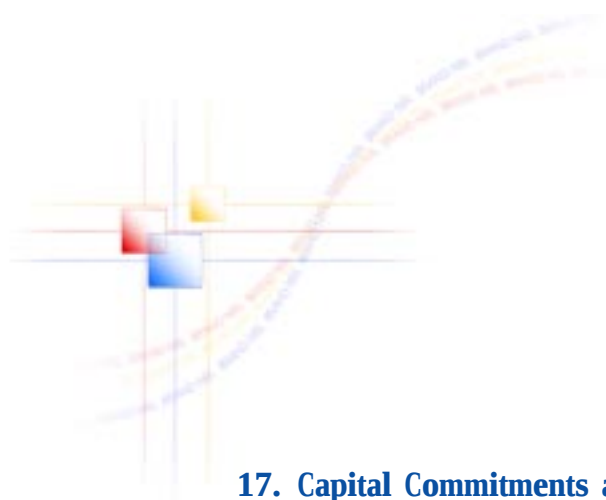
Based on revised billing by BRPL on account of sharing of RaVVA crude transportation cost, entry tax and otehr incidentals thereof, for financial years 2003-04 and 2004-05, a credit amounting to Rs. 1051.16 millions has been taken in the accounts for the year and adjusted in the crude price.

- 9) The company has numerous transactions with other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustment, if any, arising there from are not likely to be material.
- 10) The company follows open item system of maintaining customer accounts included in "sundry debtors". The transactions continue to appear in the customer accounts till such time the same are matched and cleared. This is an ongoing process. The clearance of such open items is not likely to have a material impact on the outstandings or classification in the accounts.
- 11) As a result of reduction in amortization period of intangible assets from 10 years to 5 years, the profit for the year is lower by Rs. 5.70 millions with corresponding reduction in intangible assets. (Note No. 18 of statement of significant accounting policies).
- 12) In accordance with the disclosure requirements of AS-26, details of intangible asets of the company as on 31-03-2006 have been furnished below :

(Rs. in Million)

Other intangible Assets	Gross Amount		Amortisation Amount		Net Amount	
	01.04.05	31.03.06	01.04.05	31.03.06	01.04.05	31.03.06
1) Process License (Svedela)	3.41	3.41	0.34	1.02	3.07	2.39
2) SAP implementation Costs	NIL	80.51	NIL	10.72	NIL	69.79

- 13) An amount of Rs. 1425.90 million (Previous year Rs. 1033.46 millions) has been charged to Profit & Loss Account towards under recovery of CST on petroleum products moved out of the state of Asam.
- 14) As per guidelines issued by ICICI under AS-26 "Impairment of Assets", the company has assessed the recoverable amount of the relevant assets and found that no indication of impairment exists in relation to its assets as on 31st March, 2006.
- 15) The Company received on September 9, 2005 7% Government of India OIL Bonds in settlement of outstanding claims with PPAC amounting to Rs. 643.09 million.
- 16) Previous year's comparative figures have been regrouped wherever necessary.



17. Capital Commitments and Contingent Liabilities

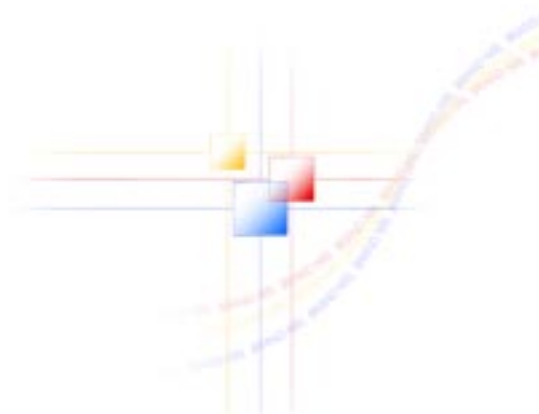
	31.3.2006 Rs. in Million	31.3.2005 Rs. in Million
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	979.78	1,734.49
Contingent Liabilities		
(a) In respect of taxation matters of prior years	1530.79	—
(b) Other Matters :		
Claims against the Company not acknowledged as debts :		
i) Claim by contractors		
Arbitration cases/other extra claims on capital account	1,439.96	1,261.24
ii) Land matters	—	11.73
iii) In respect of letter of credit	9.73	134.43
iv) Others	9.45	15.67

18. Managerial Remuneration

	31.3.2006 Rs.in Million	31.3.2005 Rs. in Million
Salary and allowances	2.38	2.63
Contributions to Provident Fund and other funds	0.21	0.27
Other benefits	1.31	1.06
	<u>3.90</u>	<u>3.96</u>

19. Remuneration to Auditors

	31.3.2006 Rs. in Million	31.3.2005 Rs. in Million
(a) Audit fees #	0.08	0.08
(b) Fees for other services-certification #	0.06	0.02
(c) Reimbursement of out of pocket expenses	0.06	0.07
	<u>0.20</u>	<u>0.17</u>
# Inclusive of service tax		



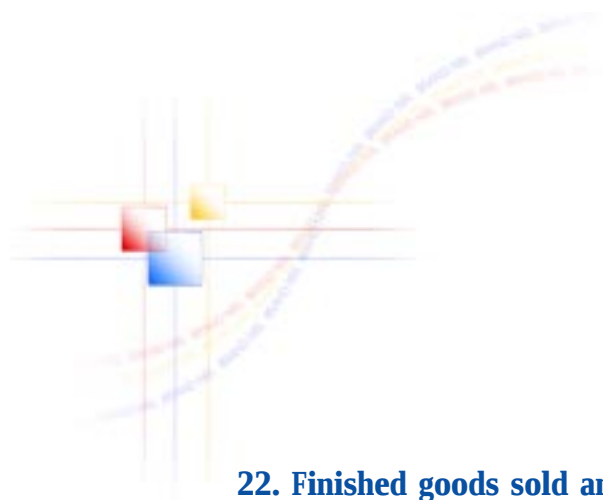
20. Licensed Capacity, Installed Capacity (as certified by the Management) and actual production in respect of goods manufactured

(2005-2006)			
Quantity (MT)			
	Licensed Capacity	Installed Capacity	Actual Production
(i) Crude throughput	NA	3,000,000	2,132,636
	(NA)	(3,000,000)	(2,041,980)
(ii) Production			
Light distillates	—	—	276,032
	—	—	(276,757)
Middle distillates	—	—	1,578,114
	—	—	(1,506,412)
Others	—	—	103,710
	—	—	(92,520)

* The installed capacity is based on processing of neat Assam Crude.

21. Raw materials consumed

(2005-2006)		
	Quantity (MT)	Value (Rs. in Million)
Crude Oil	2,132,636	41,164.86
	(2,041,980)	(27,953.61)
Others	38,980	1,441.29
	(39,194)	(1,065.06)
	2,171,616	42,606.15
Total	(2,081,174)	(29,018.67)



22. Finished goods sold and stocked

(2005-2006)

Petroleum Products	Opening Stock		Production	Sales		Closing Stock	
	(MT)	(Rs./ Million)		(MT)	(Rs./ Million)	(MT)	(Rs./ Million)
Light Distillates							
LPG	1,547	30	47,084	47,768	1,099	863	22
Naphtha **	54,718	975	138,619	146,727	4,124	46,609	1141
MS *	1,725	59	90,329	87,760	3,942	4,294	153
Sub Total	57,990	1,064	276,032	282,256	9,164	51,766	1317
Previous Year	(80,295)	(1,071)	(276,757)	(299,062)	(7,397)	(57,990)	(1,064)
Middle Distillates							
ATF	4,486	98	82,294	82,561	2,473	4,219	132
SKO	8,027	154	190,884	185,333	4,341	13,578	320
HSD ***	134,247	3,243	1,304,936	1,314,759	40,974	124,423	3754
Sub Total	146,760	3,494	1,578,114	1,582,653	47,787	142,221	4206
Previous Year	(171,875)	(2,610)	(1,506,412)	(1,531,528)	(34,882)	(146,760)	(3,494)
Others							
RPC	2,000	14	68,217	52,489	414	17,727	158
Sulphur	47	—	2,938	2,605	3	379	—
CPC	4,964	54	32,556	31,901	378	5,618	71
Sub Total	7,011	68	103,710	86,996	795	23,725	229
Previous Year	(9,363)	(73)	(90,173)	(92,390)	(711)	(7,011)	(68)
Grand Total	211,761	4,626	1,957,856	1,951,904	57,746	217,713	5752
Grand Total - Previous year	(261,533)	(3,754)	(1,873,343)	(1,922,980)	(42,990)	(211,761)	(4,626)

* MS production includes blending of Naphtha - 51349 MT with MTBE & Py Gas - 38980 MT.

** Naphtha sale includes stock loss of 459.12 MT.

** Closing stock of naphtha includes 17562.69 MT lying at depot & in transit.

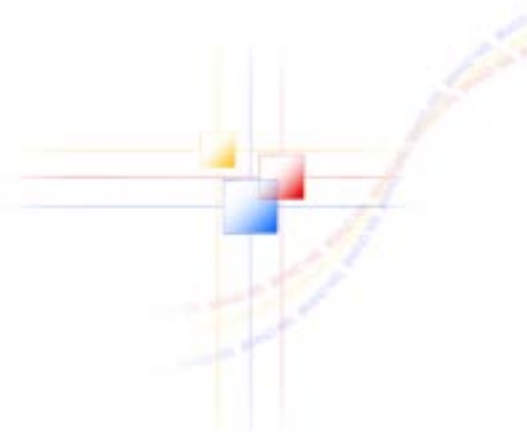
*** Closing stock of HSD includes 46126.54 MT lying at depot & in transit.

* Closing stock of MS includes 1700.98 MT lying at depot and in transit

**** HSD and MS sales includes 160.21 MT and 1543.72, respectively on account of stock loss.

23. Finished Goods Purchased and sold

Particulars	HSD		MS	
	QTY (MT)	(Rs. in millions)	QTY (MT)	(Rs. in millions)
Purchase	11,349.42	385.97	155.92	9.02
Sales	11,349.42	404.51	155.92	9.26

**24. Value of imports calculated on C.I.F. basis**

	2005-06	2004-05
	Rs. in Million	Rs. in Million
(a) Raw Materials	403.16	301.27
(b) Capital goods	321.64	30.25
(c) Components and spare parts (including chemicals and catalysts)	144.24	228.24

25. Expenditure in foreign currency (on cash basis)

	2005-06	2004-05
	Rs. in Million	Rs. in Million
(a) Purchase of products	810.17	548.11
(b) Know-how	29.43	6.15
(c) Professional Consultancy Fees	—	—
(d) Other matters		
i) Travelling	1.94	3.12
ii) Others	0.29	—

26. Value of raw materials, stores/spare parts and components including chemicals & catalysts consumed (on derived basis)

	Imported		Indigenous		Total
	Rs. in Million	%	Rs. in Million	%	Rs. in Million
Crude Oil	Nil	Nil	41,164.86	100.00	41,164.86
	(Nil)	(Nil)	(28,867.40)	(100.00)	(28,867.40)
Others	598.29	41.51	842.99	58.49	1,441.29
	(347.03)	32.58	(718.03)	67.42	(1,065.06)
Stores/Spare parts and Components (including chemicals & catalysts)	202.65	77.70	58.16	22.30	260.81
	(4.03)	(7.00)	(53.55)	(93.00)	(57.58)

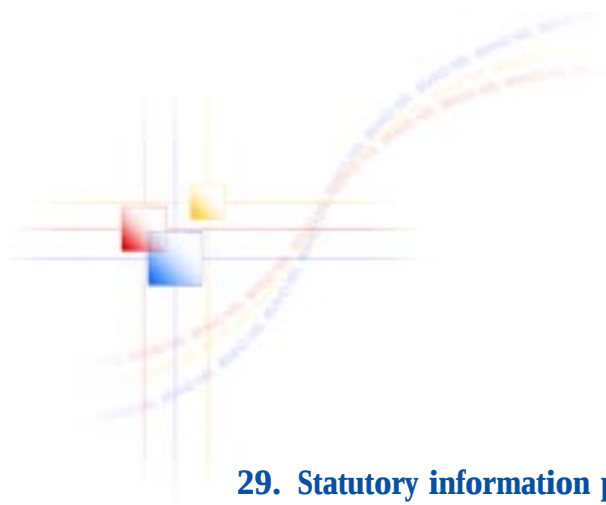
27. Earnings in foreign exchange

	2005-06	2004-05
	Rs. in Million	Rs. in Million
	NIL	NIL

28. Research and Development

	2005-06	2004-05
	Rs. in Million	Rs. in Million
(a) Revenue expenditure	NIL	NIL
(b) Capital expenditure	NIL	NIL





29. Statutory information pursuant to Part - IV of Schedule - VI to the Companies Act, 1956

Balance Sheet Abstract and Companies General Business Profile

I. Registration Details

State Code **2**

Registration No. **02-03893 of 1993-94**

Balance Sheet Date **31 03 2006**
Date Month Year

II. Capital raised during the year (Rs. Lakhs)

Public Issue	Right Issue
N I L	N I L
Bonus Issue	Private Placement
N I L	N I L

III Position of Mobilisation and Deployment of Funds (Rs. Million)

Total Liabilities	Total Assets
35,801.29	35,801.29

Sources of Funds :

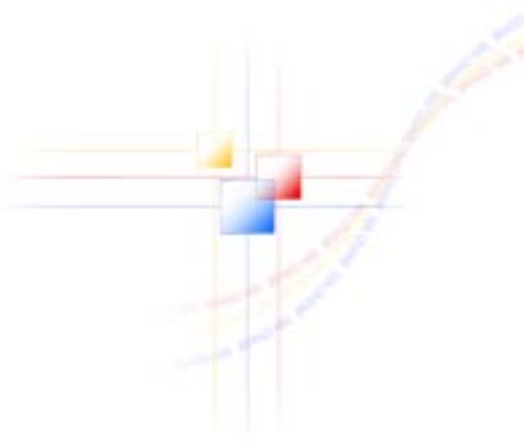
(Excluding deferred tax liability)

Paid-up Capital	Reserves & Surplus
7,356.32	9,556.96
Secured Loans	Unsecured Loans
4,723.59	1,238.30

Application of Funds :

Net Fixed Assets	Investments
22,339.23 *	643.09
Net Current Assets	Misc. Expenditure/(Intangible Assets)
3,848.14	N I L
Accumulated losses	
N I L	

* Includes Capital work-in-progress



IV. Performance of Company (Rs. Million)

Turnover	Total Expenditure
58,391.45*	53,635.11
Profit/Loss Before Tax	Profit/Loss After Tax
4,756.34	4,489.34
Earning per Share in Rs.	Dividend rate %
6.10	19.00%

* includes miscellaneous income.

V. Generic Names of Principal Products/Services of Company

Item Code No. (ITC Code)	: 2710
Product Description	: PETROLEUM PRODUCTS

Note :

ITC code of products as per Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics.

The schedules referred to above form an integral part of Accounts.

For and on behalf of the Board of Directors

Sd/-
B.K. Das
Managing Director

Sd/-
T. K. Anantha Kumar
Director (Finance)

Sd/-
D. Majumdar
Partner
Membership No. 5766
U.C. Majumdar & CO.
Chartered Accountants

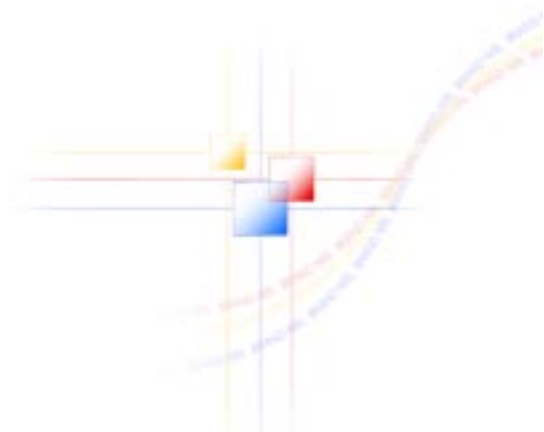
Sd/-
H.K. Sarmah
Company Secretary

Mumbai
Date : 28th April, 2006

Guwahati
Date : 3rd May, 2006

Cash flow statement for the year ended 31st March 2006

		(Rs.in Million)	
	Notes	2005-06	2004-05
A Cash Flow from Operating Activities			
Net Profit Before tax & prior period items		4,728.29	5,547.18
<i>Adjustments for :</i>			
Depreciation		1,394.62	1,377.11
Interest expenditure		209.98	505.15
(Profit) / Loss on Sale/Write Off of fixed assets(net)		6.59	0.17
Income from Investments		(25.16)	(3.27)
Dividend Received		—	—
Interest Income		(6.06)	(14.16)
Other Non-Cash items	Note 4	36.19	34.22
Operating Profit before Working Capital Changes		6,344.45	7,446.40
<i>Invested in:</i>			
Trade receivables		(922.18)	539.60
Other receivables		999.41	(1,278.36)
Inventories		(857.00)	(1,223.23)
Current Liabilities & Provisions		(376.32)	2,655.09
Cash generated from Operations		5,188.36	8,139.50
Income Taxes paid (net of Refund)		(366.59)	(453.19)
Cash flow before Prior Period Items		4,821.77	7,686.31
Prior Period Items		28.05	24.92
Net Cash from Operating Activities		<u>4,849.82</u>	<u>7,711.23</u>
B Cash Flow on Investing Activities			
Purchase of fixed assets		(1,826.25)	(1,348.68)
Purchase of intangible assets		(80.51)	(3.41)
Adjustments on account of retirement/reclassifications of fixed assets including adjustment for CENVAT credit		(18.81)	(2.13)
Intangible Assets written off in the Balance Sheet		11.40	0.34
Sale of fixed assets		0.60	—
Investment in Joint Venture Companies		—	—
Investment in Subsidiary Companies		—	—
Purchase of/Accretion to Investments		(643.09)	—
Sale of Investments		—	—
Reduction in Investment consequent to amalgamation		—	—
Income from Investment		25.16	3.27
Dividend Received		—	—
Interest Received		6.06	9.95
Net Cash Flow on Investing Activities		<u>(2,525.44)</u>	<u>(1,340.66)</u>

**C Cash Flow on Financing Activities**

Issue of Enquity Share Capital	—	—
Accretion to Reserves on account of amalgamation	—	—
Long term Borrowings	4,500.00	638.30
Repayment of Long-term loans/borrowings	(4,636.56)	(5,971.31)
Net Increase/Decrease(-) in other borrowings	(209.99)	(51.38)
Interest paid	(256.24)	(505.15)
Dividend Paid	(1,250.57)	(647.36)
Corporate Dividend Tax	(175.39)	(84.60)
Net Cash used in Financing Activities	<u>(2,028.75)</u>	<u>(6,621.50)</u>

D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)

<u>295.63</u>	<u>(250.93)</u>
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E Cash & Cash Equivalents at beginning of Period

Note 1	<u>13.39</u>	<u>264.32</u>
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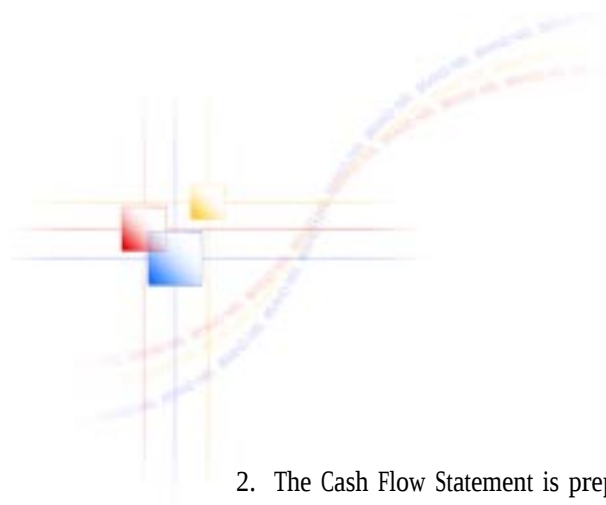
F Cash & Cash Equivalents at end of Period (D+E)

Note 1	<u>309.02</u>	<u>13.39</u>
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Notes to the Cash Flow Statsment**1. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and cheques on hand and balances with banks and investments in short term deposit accounts. Cash and Cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts :

	2005-06	2004-05
Cash and Cash equivalents as at 31st March'06/31st March'05		
Cash/cheques in Hand	0.19	0.24
Cash at Bank	8.83	7.89
Remittance in transit	—	5.26
Fixed Deposits with Banks	300.00	—
Unsecured loans from Schedules banks/ICDs/CPs	—	—
Cash and Cash Equivalents as restated	<u>309.02</u>	<u>13.39</u>
Net change in Cash and Cash equivalents	<u>295.63</u>	<u>(250.93)</u>



2. The Cash Flow Statement is prepared in accordance with the format included in Accounting Standard 3 prescribed by the Institute of Chartered Accountants of India.
3. In Part-A of 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.
4. "Other Non-Cash items" comprise of provisions for Stores and Consumables, provision for Claims and write back of Provisions.

For and on behalf of Board of Directors

Sd/-

B.K. Das

Managing Director

Mumbai

Date : 28th April, 2006

We have audited the above Cash Flow Statement of Numaligarh Refinery Limited for the year ended on 31st March, 2006 prepared by the Company and certify that the Statement has been derived from the Accounts of the Company Audited by us.

Sd/-

D. Majumdar

Partner

Membership No. 5766

U. C. MAJUMDAR & CO.

Chartered Accountants

Guwahati

Date : 3rd May, 2006





Human Resources Accounting : 2005 - 06

Human Resources is being considered by NRL as the key to the organisation's success. Development of Human Resources is a continuous process and gets the top priority to meet new challenges. The value of human assets who are committed to achieve excellence in all fronts is being recognised by NRL. The Human Resource Profile, as given in the table below, shows that NRL is a youthful Company.

Category	A G E				Total
	20-30	30-40	40-50	Over 50	
Technical					
Executives	45	150	47	12	254
Workmen	35	285	34	1	355
Sub Total	80	435	81	13	609
Others					
Executives	3	30	21	13	67
Workmen	1	23	5	0	29
Sub Total	4	53	26	13	96
Grand Total	84	488	107	26	705
Average age		36 yrs.			

The human resources have been valued by adopting Lev and Schwartz Model with the following assumptions:

- (i) Continuity of present pattern of employee compensation, both direct and indirect.
- (ii) Continuity in career growth as per present policy of the company.
- (iii) Discount factor @ 5% p.a.

Value of Human Resources

	2005-06	2004-05	Rs Million 2003-04
Executives	5,787.64	4,563.15	4,624.92
Staff	4,926.73	4,496.06	4,307.41
	<u>10,714.37</u>	<u>9,059.21</u>	<u>8,932.33</u>

Human Assets vis-à-vis Total Assets

Value of Human Assets	10,714.37	9,059.21	8,932.33
Net Fixed Assets	22,267.05	21,760.96	21,788.23
Net Current Assets	3,848.14	2,651.88	4,308.07
	<u>36,829.56</u>	<u>33,472.05</u>	<u>35,028.63</u>
Profit before tax	4,756.34	5,571.30	3,772.33
Value Added	7,660.69	8,428.95	7,165.59

Ratio of

Profit(before tax) to Human Resources	44%	61%	42%
Value Added to Human Resources	71%	93%	80%
Human Resources to Total Resources	29%	27%	26%





Social Accounts 2005 - 06

(Rs in Million)

I. SOCIAL BENEFITS AND COSTS TO EMPLOYEES

a) Social Benefits to Employees

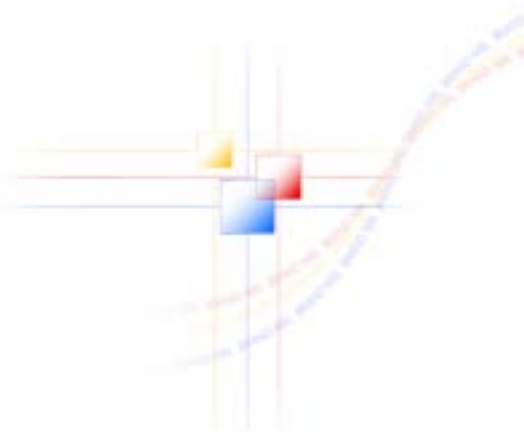
	2005-06	2004-05	2003-04	2002-03
1. Welfare facilities-Canteen & Club	22.50	12.14	11.02	9.39
2. Ex-gratia/Awards	24.52	25.50	22.30	25.41
3. Medical facilities	35.33	37.60	30.72	29.66
4. Retirement Benefits	3.13	7.78	4.39	6.40
5. Interest Concessions	6.69	6.50	5.96	4.76
6. Training and career development	4.87	3.73	2.43	2.71
7. Clothing and Uniform	4.59	7.67	3.85	4.67
8. Holiday Benefits	11.13	30.98	21.98	15.68
9. Transport Facilities	13.26	13.46	57.03	45.44
10. Insurance	3.68	2.48	2.94	2.19
11. Educational Facilities	1.01	0.67	0.50	0.60
12. Township Costs	23.05	21.80	22.67	17.21
13. Others	59.94	33.22	8.52	8.06
Total (a)	213.72	203.53	194.31	172.18

b) Social Cost to Employees

Extra hours put in by Officers/Workmen	3.27	2.06	2.23	2.76
Total (b)	3.27	2.06	2.23	2.76
Net Social Income to Employees (a-b)	210.45	201.48	192.08	169.42

II . SOCIAL BENEFITS TO COMMUNITY

Local Taxes	4.58	1.72	0.96	8.97
Environment Improvements	1.25	8.15	10.28	10.66
Expenditure on Project-Education	4.56	3.88	5.09	1.48
-Agriculture & allied	1.37	0.59	0.68	0.58
-Infrastructure	2.36	3.85	5.22	1.25
-Medical	1.00	0.93	0.34	0.27
-Sports & Culture	2.86	1.21	1.60	0.76
Generation of job potential to local people	45.82	43.06	39.23	37.40
Generation of business	2,671.13	2,405.52	2,890.96	3,386.65
Total Social Income to Community	2,734.94	2,468.91	2,954.36	3,448.02

**III. SOCIAL COST AND BENEFIT TO THE GENERAL PUBLIC****a) Benefits to the General Public**

Taxes paid to State Government	5,042.63	2,915.40	1,094.40	867.30
Dividend Paid to State Government	172.56	154.40	79.90	65.40
Taxes and Duties paid to Central Government	5,640.53	5,323.10	3,710.10	2,513.60
Total (a)	10,855.71	8,392.90	4,884.40	3,446.30

b) Costs to the General Public

Purchase of Power	3.81	6.01	2.40	6.44
Total (b)	3.81	6.01	2.40	6.44
Net Social Income to the Public (a-b)	10,851.91	8,386.89	4,882.00	3,439.86
Net Social Income to Employees,Community and General Public (I+II+III)	13,797.30	11,057.27	8,028.44	7,057.30



