



Brand NRL *Breaking grounds. Winning hearts.*



N U M A L I G A R H R E F I N E R Y L I M I T E D



V I S I O N

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.



M I S S I O N

- 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 Dipak Chakravarty
Director (Technical)
(w.e.f. 04.08.06)*



*Shri Nilmoni Bhakta
Director (Finance)
(w.e.f. 25.07.07)*



*Shri T.K. Anantha Kumar
Director (Finance)
(Up to 18.01.07)*



*Shri J.P. Rajkhowa
Director*



*Shri P.C. Sharma
Director*



*Shri H.S. Das
Director*



*Shri C.B. Singh
Director*



*Shri Manu Srivastava
Director
(w.e.f. 20.02.07)*



*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)*

Bankers

State Bank of India
United Bank of India
Union Bank of India
Canara Bank
UCO Bank
Standard Chartered Bank
ICICI Bank Limited

Auditors

Messrs Shankarlal Jain and Associates
Chartered Accountants
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 the Shareholders

Notice is hereby given that the 14th 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 14th September,2007 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,2007 and the Balance Sheet as at that date with the Reports of the Statutory Auditors and the Comments of the Comptroller and Auditor General of India thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri P.C.Sharma, who retires by rotation in pursuance of Section 256 of the Companies Act,1956. Shri P.C.Sharma , being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri H.S.Das, who retires by rotation in pursuance of Section 256 of the Companies Act,1956. Shri H.S.Das, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri S.A.Narayan, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S.A.Narayan, being eligible, offers himself for re-appointment.
6. **To fix the remuneration of the Statutory Auditors**

To consider and, if thought fit, to pass the following Resolution, with or without modification(s), as a Special Resolution:

“RESOLVED THAT in partial modification of the Resolution passed by the Shareholders of the Company at the 10th Annual General Meeting held on 8th August, 2003 pursuant to the provisions of Section 224(8)(aa) of the Companies Act,1956, remuneration of the Statutory Auditors appointed by the Comptroller and Auditor General of India (C&AG) under Section 619(2) of the said Act, be and is hereby approved to be fixed at Rs.1,50,000/- plus actual reasonable travelling allowances, out of pocket expenses and service tax for the year 2006-07 and Rs.1,75,000/- plus actual reasonable travelling allowances , out of pocket expenses and service tax for subsequent years i.e. from 2007-08 till further recommendation for increase in the remuneration is approved.”

B. Special Business

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 Manu Srivastava , Director (GP), Ministry of Petroleum & Natural Gas, 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 Nilmoni Bhakta, be and is hereby appointed as a Director of the Company.”

Registered Office:

147, Udayan,
R.G. Baruah Road,
Guwahat- 781005
Date: 22.08.2007

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.6 of Ordinary Business and 7 & 8 of Special Business indicated in the Notice dated 22.08.2007.

Item No. 6 : Fixation of remuneration of Statutory Auditors

At the 10th Annual General Meeting held on 8th August, 2003, shareholders had, by way of a Special Resolution fixed the remuneration of Statutory Auditors at Rs. 75,000/- in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable for the year 2002-2003 and for subsequent years , till further recommendation for increase in the remuneration is approved by Shareholders.

The Comptroller & Auditor General of India (C&AG) appointed M/s Shankarlal Jain & Associates, Chartered Accountants, Guwahati as Statutory Auditors of the Company for the year 2006-2007. M/s Shankarlal Jain & Associates while accepting the assignment, had requested the Company to consider suitable enhancement of their audit fee due to enhanced volume of work under SAP environment which needs specialized staff having IT knowledge and experience in Systems Audit and also for additional compliance requirements for various Accounting Standards issued by ICAI from time to time.

The Audit Committee after reviewing the proposal recommended for approval of shareholders for enhancement of remuneration payable to Statutory Auditors for the year 2006-2007 from Rs. 75,000 to Rs. 1,50,000 plus actual reasonable travelling allowances, out of pocket expenses and service tax, as applicable and for subsequent years from Rs.1,50,000 to Rs. 1,75,000 plus actual reasonable travelling allowances, out of pocket expenses and service tax, as applicable i.e. from 2007-2008 till further recommendation for increase in the remuneration is approved.

Therefore, approval of the Shareholders is requested for modification to the Special Resolution passed earlier, to enhance the remuneration of Statutory Auditors to Rs. 1,50,000 for the year 2006-2007 and Rs. 1,75,000 for subsequent years as explained above.

Item No.7: Appointment of Director

Shri Manu Srivastava, Director(GP), Ministry of Petroleum & Natural Gas, Govt. of India, 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. 20th February, 2007 in accordance with the intentions of the Govt. of India.

Shri Manu Srivastava, 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 Manu Srivastava as Director of the Company. A brief resume of Shri Manu Srivastava is provided separately in the Corporate Governance Report enclosed

to the Directors' Report. The Directors recommend appointment of Shri Manu Srivastava as Director of the Company.

Except Shri Manu Srivastava, no other Director is interested or concerned in the Resolution.

Item No.8: Appointment of Director

Ministry of Petroleum and Natural Gas vide letter No. 31019/3/2006-CA dated 20th July, 2007 conveyed the approval of the President of India for appointment of Shri Nilmoni Bhakta to the post of Director(Finance), NRL in the schedule 'C' scale of pay of Rs. 20,500 - Rs. 600 - Rs. 27,300 for a period of 5 years from the date of his assuming the charge of the post.

Accordingly, Shri Nilmoni Bhakta was appointed as Additional Director w.e.f. 23.7.2007 as per Articles 85 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956 and the Director(Finance) of the Company with effect from the date of his assuming the charge of the post as per the approval of the Government read with Article 88(i) of the Articles of Association of the Company. Shri Nilmoni Bhakta has assumed the charge of Director(Finance), NRL w.e.f. 25.7.2007.

Being appointed as Additional Director, Shri Bhakta will hold the office till the conclusion 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 Nilmoni Bhakta as Director of the Company. A brief resume of Shri Nilmoni Bhakta is provided separately in the Corporate Governance Report annexed to the Directors' Report. The Directors recommend appointment of Shri Nilmoni Bhakta as Director of the Company.

Except Shri Nilmoni Bhakta, no other Director is interested or concerned in the Resolution.

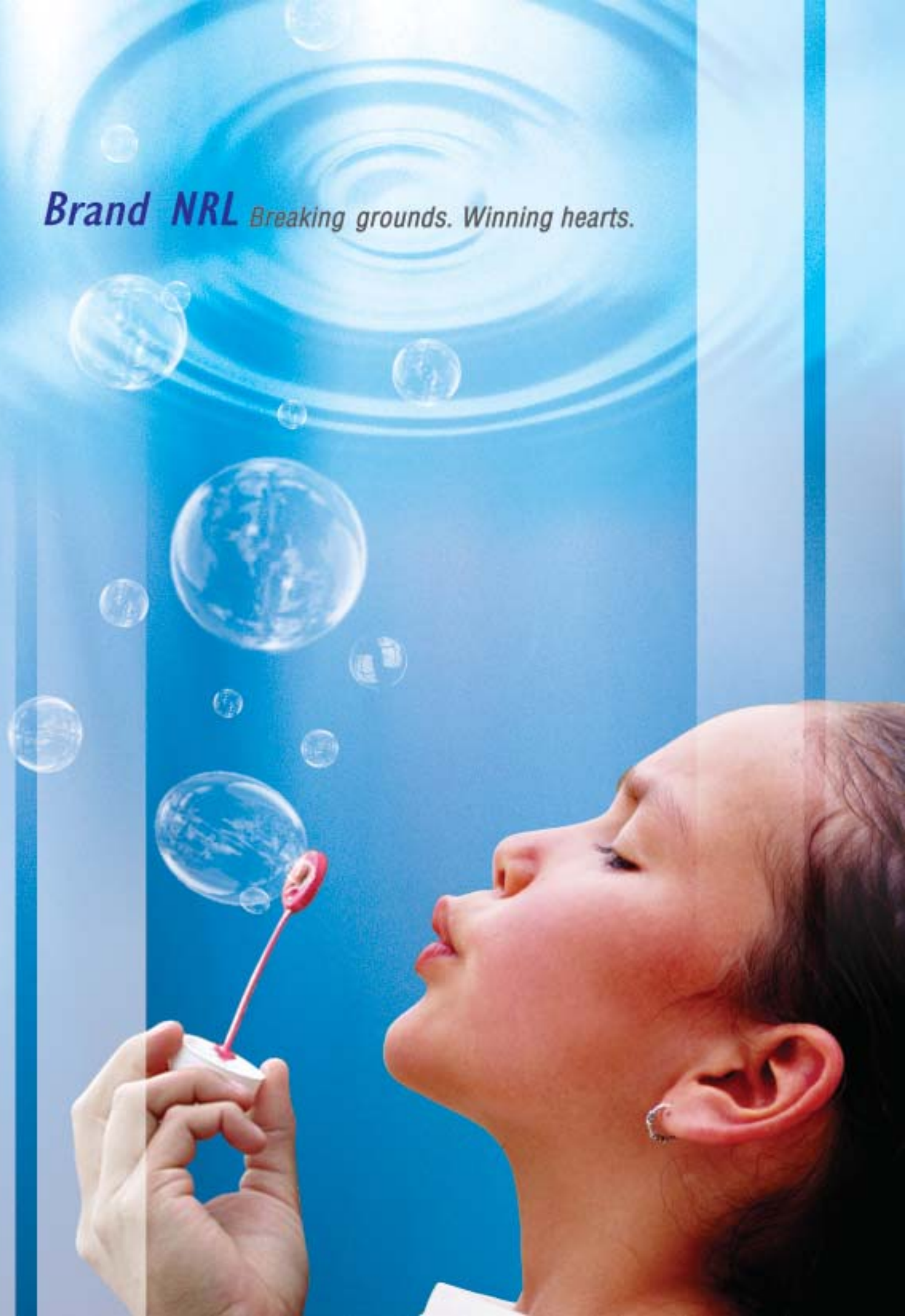
Registered Office:

147, Udayan,
R.G. Baruah Road,
Guwahat- 781005
Date: 22.08.2007

By Order of the Board of Directors

Sd/-
H. K. Sarmah
Company Secretary

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Performance Profile

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct'00- Mar'01)
1 Crude Oil Processed (TMT) :	2504	2133	2042	2200	1879	2307	1035
2 Capacity Utilisation (%) : [Installed capacity 3000 TMT]	83%	71%	68%	73%	63%	77%	69%
3 Production Quantity (TMT) :	2268	1958	1873	1982	1691	2060	951
Light Distillates %	14.7%	14.1%	14.8%	14.5%	13.2%	12.6%	12.5%
Middle Distillates %	80.7%	80.6%	80.4%	81.5%	81.7%	83.0%	82.4%
Heavy Ends %	4.6%	5.3%	4.8%	4.0%	5.1%	4.3%	5.0%
4 Refinery Fuel and Loss as % of Crude Processed :	10.5%	10.3%	9.72%	9.64%	11.06%	11.07%	12%
5 Market Sales (TMT) :	2,299	1,952	1,927	1,834	1,736	2,114	934
6 Manpower (Nos.):	718	705	683	674	658	655	632
7 Sales and Earnings (Rs. in Million) :							
i) Sales Turnover	79,303.22	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:	8,384.24	6,470.02	7,479.32	6,154.34	5,853.99	4,804.59	1,829.45
iii) Depreciation	1,576.16	1,394.62	1,377.11	1,326.69	1,273.73	1,356.29	670.43
iv) Interest	205.57	347.11	555.03	1,046.05	1,405.13	2,001.49	922.98
v) Adjustment for prior period	771.42	(28.05)	(24.12)	9.27	5.21	113.66	—
vi) Profit before tax	5,831.09	4,756.34	5,571.30	3,772.33	3,169.92	1,333.15	236.04
vii) Tax #	143.06	267.00	1,479.78	1,622.79	1,423.67	103.36	20.06
viii) Profit After Tax.	5,688.03	4,489.34	4,091.52	2,149.54	1,746.25	1,229.79	215.98
# Includes Deferred Tax provision - Rs.520.78 million (Current year) & - Rs.151.21 million (Previous year)							
8 What the Company Owned (Rs. in Million):							
i) Gross Fixed Assets (including Capital Work-in-Progress)	30,833.62	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)	21,053.49	22,267.05	21,760.96	21,788.23	22,835.85	24,925.83	26,015.87
iii) Net Current Assets (including investments)	4,910.30	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	68.92	72.18	—	—	—	—	—
Total Assets Net (ii+iii+iv)	26,032.71	26,830.46	24,412.84	26,096.30	23,896.03	25,418.96	26,769.58

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct'00- 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	7,356.32
ii) Reserve & Surplus	13,093.36	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)	20,449.68	16,913.28	14,014.60	11,353.77	9,916.04	9,290.68	8,398.88
v) Borrowings	2,148.52	5,961.89	6,291.74	11,676.13	12,245.28	16,128.28	18,370.70
vi) Deferred Tax Liability	3,434.51	3,955.29	4,106.50	3,066.40	1,734.71	—	—
Total Funds Employed (iv+v+vi)	26,032.71	26,830.46	24,412.84	26,096.30	23,896.03	25,418.96	26,769.58
10 Internal Generation (Rs. in Million)	6,929.15	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.	12.41%	13.05%	20.10%	22.94%	24.29%	24.30%	22.38%
ii) Profit after Tax as % age of Average Net Worth.	30.45%	29.03%	32.26%	20.21%	18.18%	13.90%	2.74%
iii) Profit after Tax as % age of Share Capital	77.32%	61.03%	55.62%	29.22%	23.74%	16.72%	2.94%
iv) Average Net worth as % age of Share Capital	254%	210%	172%	145%	131%	120%	107%
v) Gross profit before Depreciation, Interest & Tax as % age of Average Capital Employed.	35.29%	28.06%	31.29%	25.80%	25.06%	19.39%	7.19%
vi) Profit Before Tax as % age of Average Capital Employed	24.54%	20.63%	23.31%	15.82%	13.57%	5.38%	0.93%
vii) Profit After Tax as % age of Average Capital Employed	23.94%	19.47%	17.12%	9.01%	7.48%	4.96%	0.85%
viii) Long Term Debt Equity Ratio	0.09	0.26	0.32	0.86	1.23	1.55	1.95
12 Earning Per Share (Rs.)	7.73	6.10	5.56	2.92	2.37	1.67	0.29
13 Book Value Per Share (Rs.)	27.80	22.99	19.05	15.43	13.48	12.63	11.42

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct'00- Mar'01)
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14 SOURCES AND APPLICATION OF FUNDS (Rs. in Million)

SOURCES OF FUNDS

OWN:

Profit after Tax	5,688.03	4,489.34	4,091.52	2,149.54	1,746.25	1,229.79	215.98
Depreciation	2,406.62	1,368.34	1,377.74	1,315.43	1,279.81	1,361.76	670.43
Deferred Tax provision	(520.78)	(151.21)	1,040.10	1,331.69	1,166.54	—	—
Investments	—	—	—	—	460.00	—	—
Shareholders Investment	—	—	—	—	—	—	747.55
Miscellaneous Expenses / Intangible Assets written off	21.20	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	144.23	14.67	(1.79)	81.65	922.11	(20.27)	—
	7,739.30	5,732.54	8,164.10	5,097.17	5,610.67	3,333.54	3,289.02

APPLICATION OF FUNDS:

Capital Expenditure	1,337.29	1,889.10	1,348.68	349.46	111.94	251.45	1,476.47
Adjustment for Misc. Expenditure / Intangible Assets	17.94	80.51	3.41	200.37	(8.83)	4.50	48.81
Dividend	1,839.08	1,397.70	1,250.57	647.36	529.65	375.17	66.21
Tax on distributed profits	312.55	196.03	177.05	82.94	67.86	—	6.75
Repayment of Loans (Net)	3,813.37	329.85	5,384.39	569.15	3,883.00	2,242.42	—
Investments(Net)	(25.10)	643.09	—	—	—	460.00	—
Increase in Working Capital	444.17	1,196.26	—	3,247.89	1,027.05	—	1,690.78
	7,739.30	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	229.49	806.53	1,222.16	3,250.36	472.27	(877.19)	1,712.50
Sundry Debtors	(576.19)	922.18	(539.60)	362.67	245.64	1,083.81	605.33
Cash & Bank Balances	3,594.05	95.63	(250.93)	(1,635.07)	1,722.33	(56.11)	214.33
Other Current Assets	37.04	2.76	—	—	—	—	—
Loans & Advances, Others	(692.94)	(654.02)	(468.20)	(406.88)	895.05	1,379.59	909.74
	2,591.45	1,373.08	(36.57)	1,571.08	3,335.29	1,530.10	3,441.90

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 (Oct'00- Mar'01)
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Less:

B) Current Liabilities & Provisions

Current Liabilities	2,727.26	(436.63)	2,760.70	(1,753.65)	2,011.79	(627.79)	1,738.62
Provisions	(579.98)	613.45	(1,141.08)	76.84	296.45	2,878.47	12.50
	2,147.28	176.82	1,619.62	(1,676.81)	2,308.24	2,250.68	1,751.12

C) Working Capital (A - B) 444.17 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 :	60,132.41	45,366.12	35,165.36	26,055.18	22,153.18	16,398.95	5,873.32
Less : Direct Materials							
Consumed :	57,242.01	42,879.22	30,013.64	21,748.73	17,844.48	13,050.02	6,053.50
Value Added	2,890.40	2,486.90	5,151.72	4,306.45	4,308.70	3,348.93	(180.18)
Add : Other Incomes (including P.Y.A)	6,139.42	5,173.79	3,277.23	2,859.14	2,293.07	2,928.21	2,340.89
Total Value Generated	9,029.82	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	485.07	384.26	346.32	304.51	280.26	278.98	85.39
Other Costs	906.83	778.36	579.19	716.01	472.73	1,307.23	245.86
	1,391.90	1,162.62	925.51	1,020.52	752.99	1,586.21	331.25

B) Providers of Capital

Interest on Borrowings	205.57	347.11	555.03	1,046.05	1,405.13	2,001.49	922.98
Dividend	1,839.08	1,397.70	1,250.57	647.36	529.65	375.17	66.21
	2,044.65	1,744.81	1,805.60	1,693.41	1,934.78	2,376.66	989.19

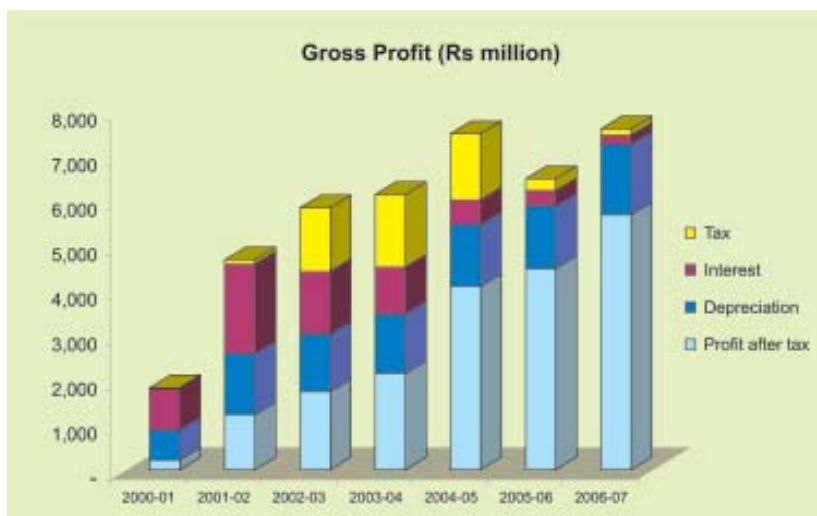
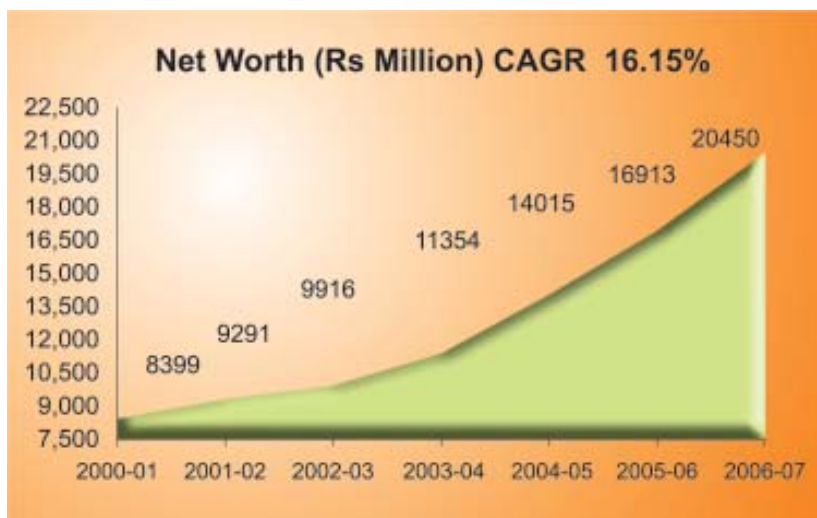
C) Taxation:

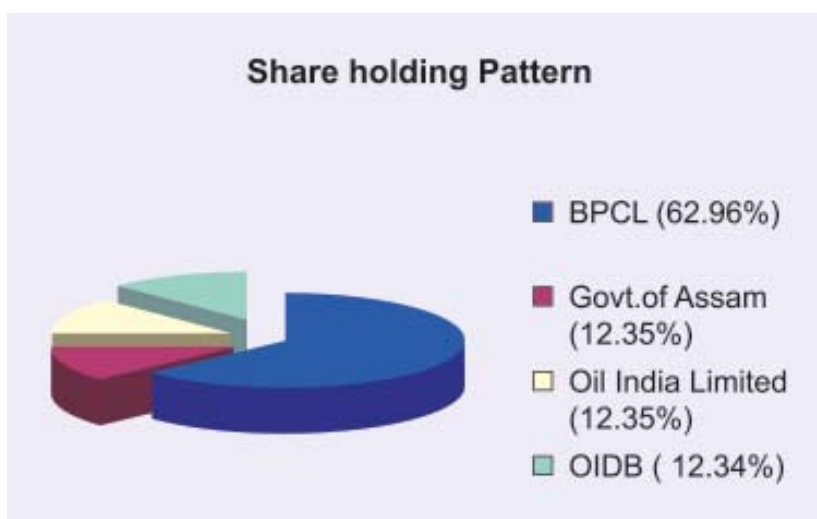
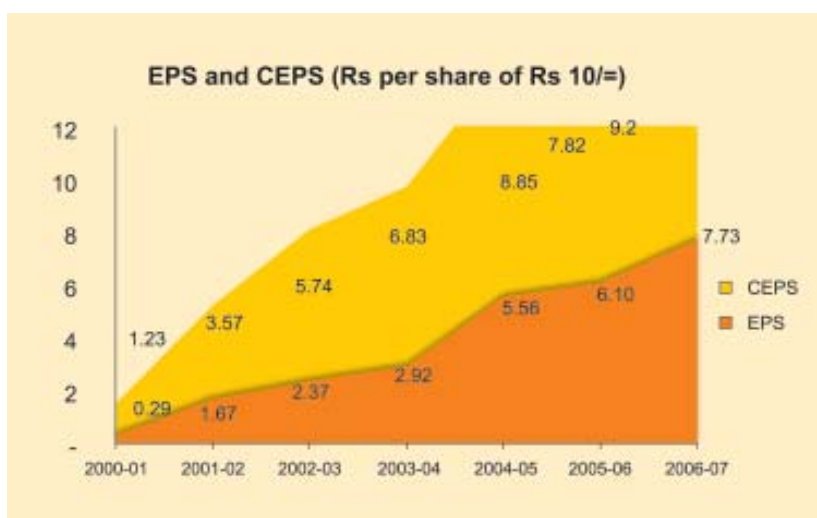
Corporate Tax	663.84	418.21	439.68	291.10	257.13	103.36	20.06
Tax on distributed profits	312.55	196.03	177.05	82.94	67.86	—	6.75
	976.39	614.24	616.73	374.04	324.99	103.36	26.81

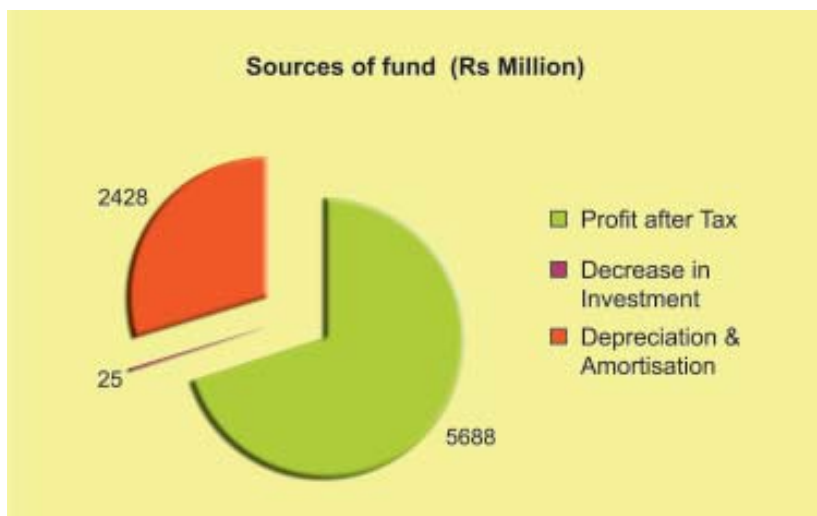
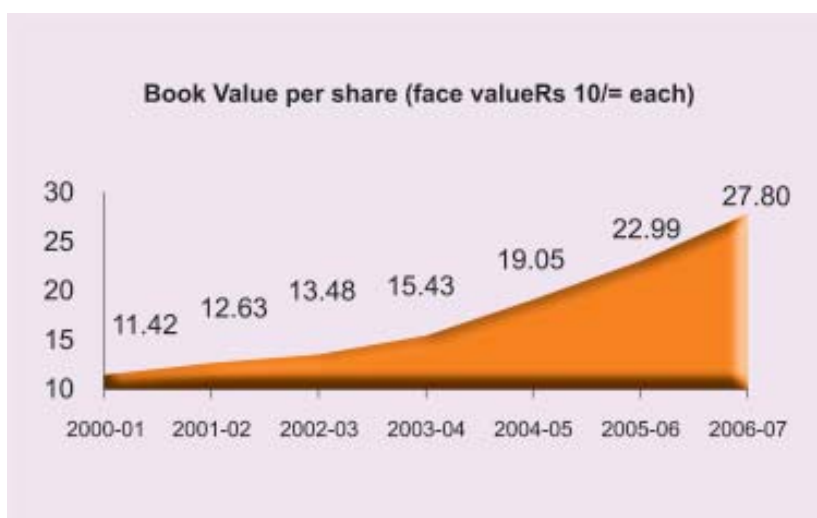
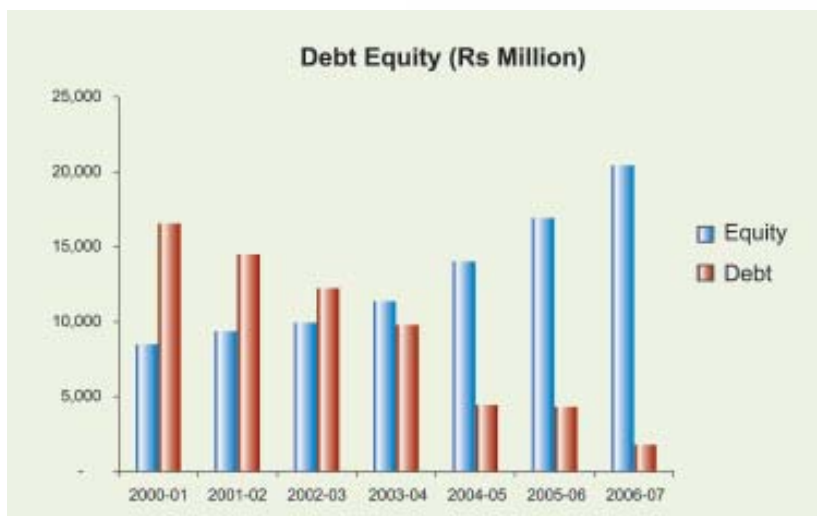
D) Re-investment in Business

Depreciation	1,576.16	1,394.62	1,377.11	1,326.69	1,273.73	1,356.29	670.44
Provision on Investment	25.10	—	—	—	—	—	—
Deferred Tax	(520.78)	(151.21)	1,040.10	1,331.69	1,166.54	—	—
Retained Profit	3,536.40	2,895.61	2,663.90	1,419.24	1,148.74	854.62	143.02
	4,616.88	4,139.02	5,081.11	4,077.62	3,589.01	2,210.91	813.46

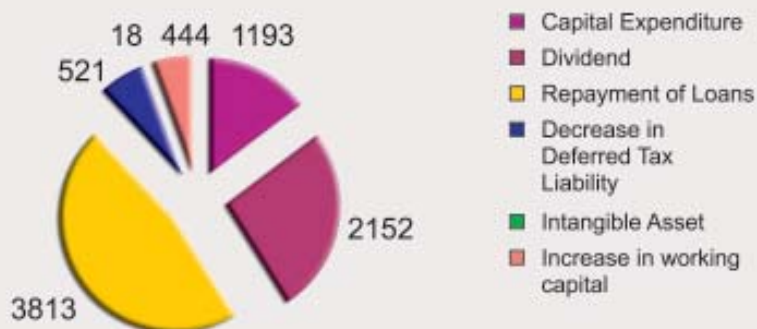
Total Value Distributed 9,029.82 7,660.69 8,428.95 7,165.59 6,601.77 6,277.14 2,160.71



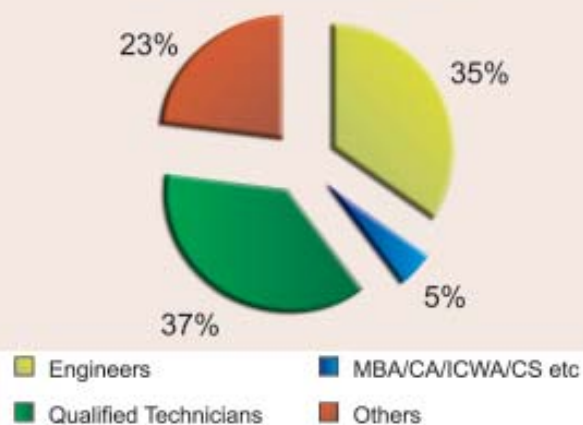




Application of Fund (Rs Million)



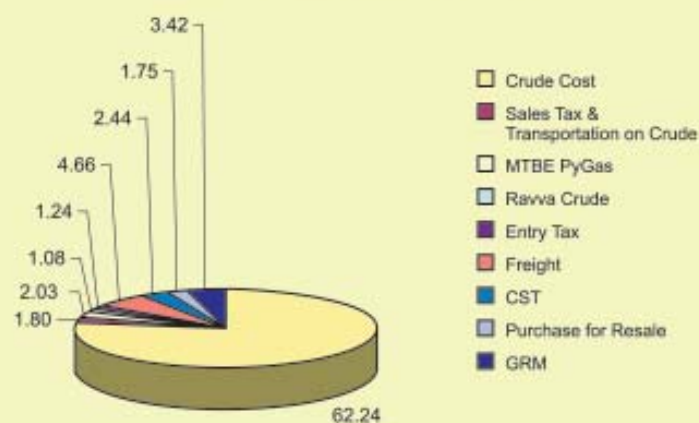
Manpower Qualificationwise



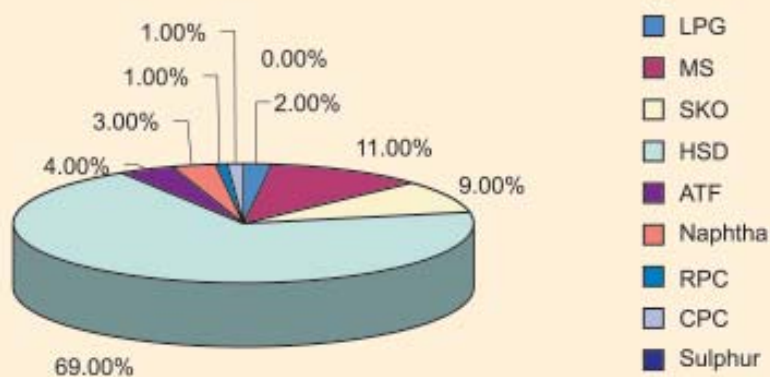
Manpower Functionwise



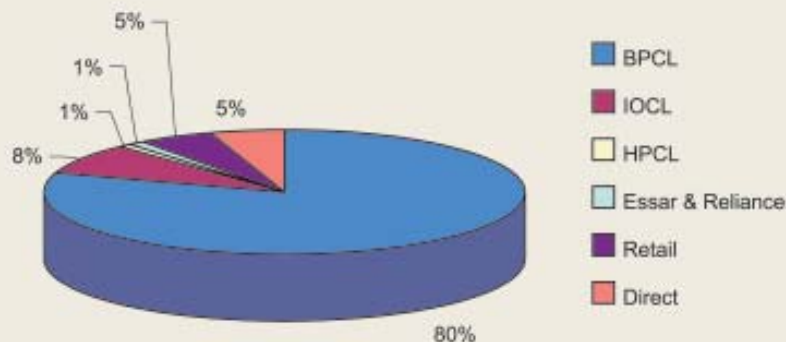
Distribution of Sales Value- (\$ 80.66 per bbl)

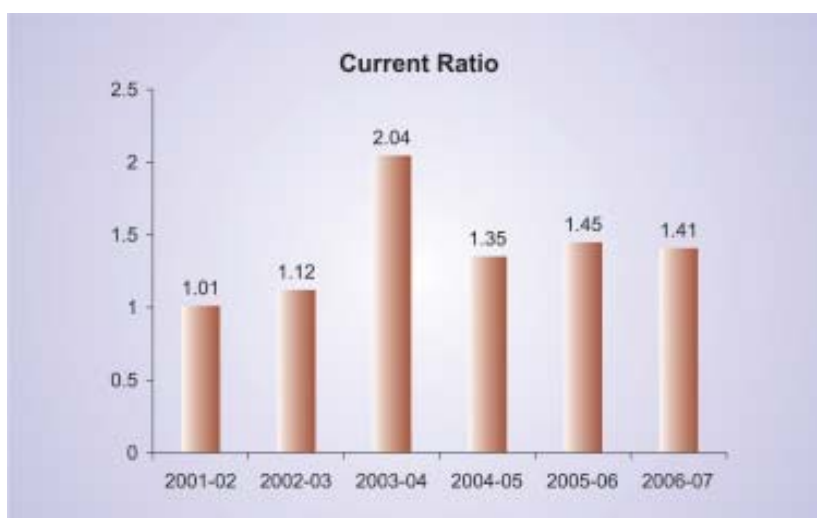


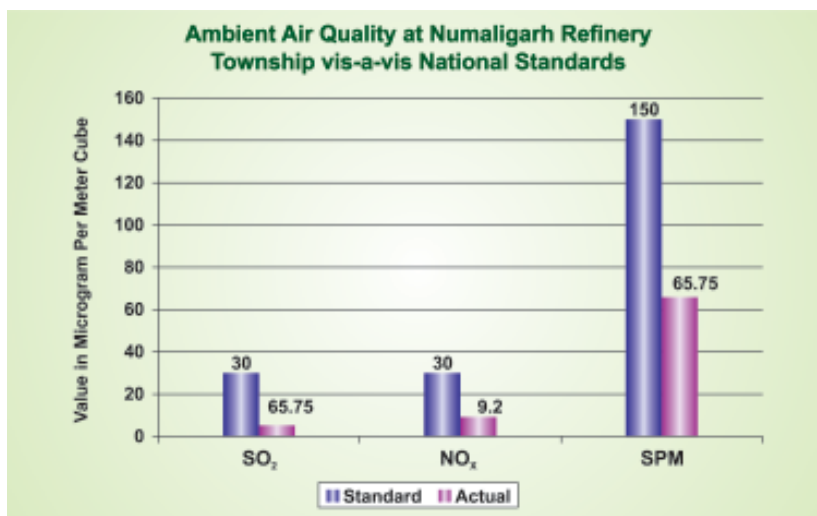
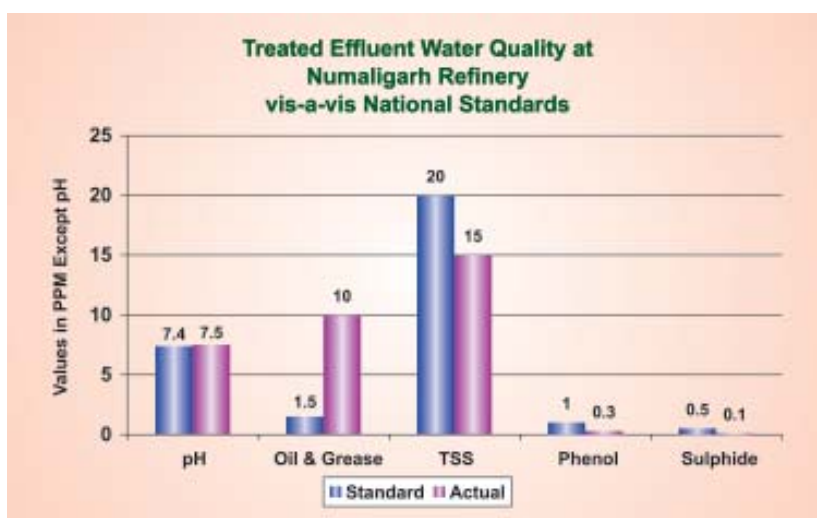
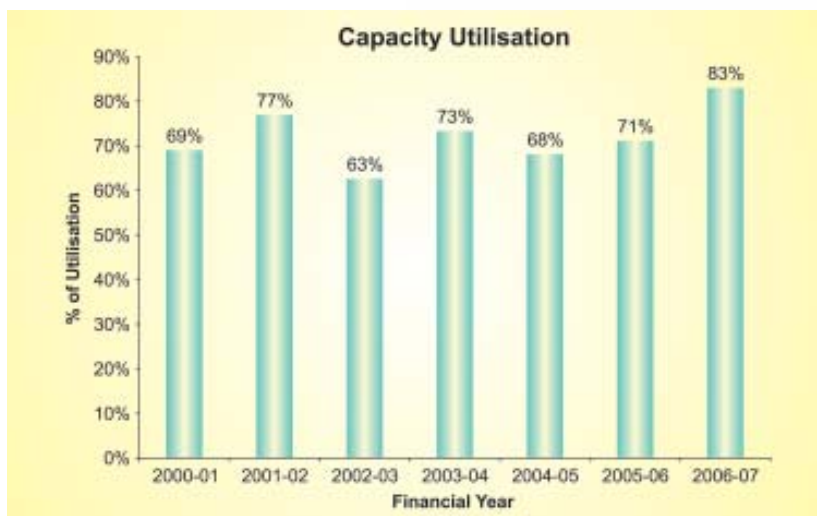
Productwise Sales Pattern



Party wise % age of sales







Brand NRL *Breaking grounds. Winning hearts.*



Directors' Report to Shareholders

Your Directors take pleasure in presenting their 14th Annual Report on the performance of your Company together with audited Statement of Accounts , Auditors' Report and Comments of the Comptroller & Auditor General of India for the financial year ended 31st March, 2007.

The year 2006-2007 was by far the best in terms of physical and financial performance recorded by the Company. Notwithstanding the fact that the oil industry is subjected to emerging challenges like exposure to volatility in international refining margins and surplus of products in the domestic market, your Company was able to sustain its profitability as a refining and marketing company.

The crude throughput of 2.504 Million Metric Tonnes (MMT) attained during the year is the highest ever recorded since commissioning of the refinery in the year 2000.

FINANCIAL PERFORMANCE

a) Financial Results

Your Company has surpassed all the previous records and achieved credible growth in almost all spheres of its activities. The sales turnover witnessed a growth of 36.25% to touch a level of Rs. 79303.22 million compared to Rs. 58203.67 million during the previous year. The profit after tax of Rs. 5688.03 million is also the highest achieved as against the previous highest of Rs. 4489.34 million achieved in the previous year, registering a growth of 26.70%. The rise in profit compared to previous year is mainly due to higher capacity utilization and higher realization of prices.



A view of Refinery

The financial results for the year 2006-2007 as compared to those of the previous year are highlighted below :

(Rs. in Million)

	2006-07	2005-2006
Sales Turnover – Gross	79,303.22	58,203.67
Profit before Depreciation, Interest and Tax	7,612.82	6,498.07
Interest	205.57	347.11
Depreciation	1,576.16	1,394.62
Profit before Tax	5,831.09	4,756.34
Provision for Taxation – Current	650.34	406.30
Provision for Taxation - Fringe Benefit Tax	13.50	11.91
Provision for Taxation – Deferred	(520.78)	(151.21)
Profit after Tax	5,688.03	4,489.34
Balance brought forward from the previous year	0.10	0.10
Amount available for disposal	5,688.13	4,489.44

The Directors propose to appropriate this amount as under :

Appropriations :		
Towards Dividend	1,839.08	1,397.70
Corporate Dividend Tax	312.55	196.03
For Transfer to General Reserve	3,536.40	2,895.61
Balance carried forward to Balance sheet	0.10	0.10

Summarised Cash Flow Statement :

Cash Flows :	2006-2007	2005-2006
Inflow/(Outflow) from operations	9373.82	4849.82
Inflow/(Outflow) from investing activities	(195.10)	(2525.44)
Inflow/(Outflow) from financing activities	(5584.67)	(2028.75)
Net Increase/(decrease) in cash & cash equivalent	3594.05	295.63

b) Dividend

Your Directors after taking into account the robust performance and increase in profit of the Company during the year, have recommended for your approval, a dividend of 25% (Rs. 2.50 per share) for the year 2006-2007 which is higher by 31.58% compared to the last year's dividend of Rs. 1.90 per share. This will absorb an amount of Rs. 2151.63 million including corporate dividend tax of Rs.312.55

million. After carrying forward Rs. 0.10 million to the Balance Sheet, your Directors propose to transfer the remaining balance of Profit & Loss Account amounting to Rs. 3536.40 million to General Reserves. Accordingly, your Company's net worth as on 31st March, 2007 would stand at Rs. 20449.68 million as compared to Rs. 16913.28 million at the end of the previous year.

c) Operating Results

- i) Higher capacity utilization of the refinery during the year contributed significantly towards increase in sales volume by 19% and sales turnover by 36.25%. The higher realization of prices supplemented by improved product mix, optimization of operations, stringent cost control measures, savings in interest cost, decrease in deferred tax liability contributed towards higher profit after tax during the year.
- ii) With the commissioning of the 225 Thousand Metric Tonnes Per Annum (TMTPA) Motor Spirit Project during the year 2006-2007, the production of Motor Spirit conforming to Bharat Stage -II and Euro-III has commenced from July, 2006 and March, 2007 respectively. This has significantly contributed towards improving the product mix with better marketing flexibility and optimization of overall profitability.
- iii) The Gross Refining Margin has been marginally lower at US \$ 3.42 per barrel as compared to US \$ 3.44 per barrel in the previous year. This is mainly due to increase in international crude oil prices, increase in freight cost as well as under recoveries of Central Sales Tax (CST).



A pipeline network

iv) During the year, the Company had to absorb Rs. 1072.07 million including provisions on account of Entry Tax levied by the Government. (previous year Rs. 787.55 million) and Rs. 2040.34 million towards under recovery of CST (previous year Rs. 1575.86 million). Additionally, an amount of Rs. 1544.73 million has been provided towards sales tax reimbursement and pipeline transportation cost applicable for crude oil purchased from M/s Oil India Limited (OIL) for the year 2006-2007 as per directive of the Government. In respect of crude oil purchased from ONGC during the year 2006-2007, sales tax reimbursement and pipeline cost amounting to Rs. 820.42 million would be provided in the accounting year 2007-2008 as the Government directive in this regard has been received by the Company after finalization of the Balance Sheet for the year 2006-2007.

v) Earnings per share (EPS) has increased to Rs. 7.73 as compared to Rs. 6.10 during the previous year. The internal generation of cash during the year was Rs. 6764.62 million as against Rs. 5744.15 million in the previous year.



Managing Director, NRL receiving the prestigious TERI Corporate Environmental Excellence Award 2007 from Hon'ble Union Finance Minister, Shri P. Chidambaram

d) Treasury Operations

During the year, term loan amounting to Rs. 2525 million have been repaid. Effective cash management along with speedy and higher sales realization has resulted in interest savings of Rs 141.54 million during the year. Moreover, the Company has generated an interest income of Rs 97.67 million through judicious utilization of the available surplus funds. On an overall basis, the long term loan to equity ratio improved to 0.09 as against 0.26 in the previous year.

e) Contribution to Exchequer

Your Company has contributed a total of Rs. 8006.53 million to the Central Exchequer and Rs. 5476.37 million to the State Exchequers in the form of taxes & duties compared to Rs. 5640.50 million and Rs. 5197.00 million respectively in the previous year.

f) Cost Control Initiatives

The Company follows a system of online budgetary control through SAP for optimization of cost whereby expenditures are monitored and controlled on a day to day basis, to ensure proper adherence



LPG Horton Sphere

to budget. The Company has also continued its focused initiatives towards reduction in fuel and loss, conservation of energy, improvement in distillate yield, optimization of product mix and other techno-economic parameters.

g) Government Audit Review

The Comments of the Comptroller and Auditor General of India (C&AG) under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31st March, 2007 is placed as Annexure- D. We are pleased to inform that the C&AG has no comment upon or supplement to Statutory Auditor's report under section 619(4) of the Companies Act, 1956.

PHYSICAL PERFORMANCE OF THE REFINERY

During the year, the refinery processed 2.504 MMT of crude oil as against 2.13 MMT in the previous year. This is the highest ever crude throughput achieved by the refinery since its commissioning in 2000. The capacity utilization of the refinery is primarily governed by crude receipt from OIL/ONGC. The crude receipt during the year was 2.543 MMT and capacity utilization of the crude distillation unit stood at 83.5% which was 100.15% of the target set in the Memorandum of Understanding (MOU) signed with the holding company Bharat Petroleum Corporation Limited (BPCL).

During the year, the refinery produced 367 TMT of Euro III grade HSD and 1134 TMT of Bharat Stage II grade HSD. Production of LPG, MS and ATF during the year were 54 TMT, 208 TMT and 84 TMT respectively. Also 41 TMT of Calcined Petroleum Coke was produced during the year.



Other operating MOU parameters, namely, distillate yield, fuel and loss, specific energy consumption also recorded improved performance compared to the MOU targets. Based on the performance, the Company qualifies for an 'excellent' rating under the MOU.

During the year, net distillate yield was 84.74% and Refinery fuel and loss could be contained at 10.53% with hydrocarbon loss performance at 0.37%. The cumulative refinery specific energy consumption (SEC) for the entire year stood at 72.5 MBTU/BBL/NRGF (Metric British Thermal Unit/Per Barrel/Nelson Refinery Gross Factor).

In order to ensure better marketing flexibility as well as to add value to the surplus Naphtha produced in the

refinery, a Motor Spirit Project was taken up for implementation during the year 2002 within the refinery premises with a total project cost of Rs. 296.86 crores for production of BS-II and Euro-III grade MS to meet the requirement of the Auto Fuel Policy of the Government. The project was mechanically completed during May, 2006 and it commenced production of MS conforming to BS-II with effect from July, 2006 and Euro-III from March, 2007.



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. LPG and ATF are being marketed through public sector Oil Marketing Companies, like BPCL, Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) while the specialty products, namely, RPC, CPC and Sulphur are being marketed directly by NRL.

During the year, the Company could achieve a sales figure of 2.124 MMT of petroleum products through marketing companies of which 1.884 MMT were through BPCL. Besides, 0.209 MMT of Naphtha, MS, HSD, Sulphur and RPC/CPC were directly marketed by NRL. The total sales of all products amounted to 2.333 MMT.

Expansion of NRL's retail marketing network in various parts of the country has gathered momentum with 73 outlets commissioned till March, 2007 of which 42 are in the North East. Development activities are in progress for another 198 Retail Outlets. Your Company is enthusiastically pursuing branding activities with the aim of ensuring that NRL's brand image reflects the values that the Company stands for i.e., caring, customer centric and service with professional approach. So far, seven retail outlets of NRL have been certified by M/s DNV under Q&Q protocol and the certification process is in progress at several other outlets.

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. During the year 2006-07 the operating outlets have achieved a per RO throughput of 269 KL per month, which is much higher than the industry average. It is noteworthy that NRL's Retail Outlet at Jorabat in Meghalaya (near Guwahati) has become the highest selling outlet in the whole of Eastern Region during 2006-07 with a combined MS/HSD sales volume of around 2083 kilolitres (KL) per month.

As reported in the previous year, construction of a product pipeline between Numaligarh to Siliguri by OIL and a receiving terminal at Siliguri plus despatch facilities at Numaligarh by NRL are progressing satisfactorily. With the present pace of progress, mechanical completion of the marketing terminal at



An imposing night view of NRL Energy Station



Amenities for customers in NRL Energy Station

Siliguri is expected by December, 2007 and full commissioning by April, 2008 in synchronization with the commissioning of the product pipeline for seamless evacuation of products from the refinery.

Your Company has also made a plan for setting up a Tap Off Point Terminal at Hajo near Guwahati, from the Numaligarh - Siliguri pipeline, for distribution of products to the markets located in Lower Assam and Meghalaya. Land for the terminal has already been acquired.

BPCL has entered into an agreement with Bangladesh Petroleum Corporation Limited on 17th May, 2007 for supply of Gas Oil (0.15% Sulphur) from Numaligarh Refinery utilizing the National Waterway No 2, that is the Brahmaputra River. As per the agreement, 10 TMT of Gas Oil shall be exported every month from June, 2007 to December, 2007 on C&F Baghabari (A river port in North Bangladesh) basis using Silghat (100 KM from Numaligarh) as the load port. This will lead to enhanced economic activity on water routes (National Waterway 2) and open up new opportunities in this area. Statutory clearances are being obtained to commence dispatches.

NRL is also continuing supply of MS and HSD to M/s. Essar Oil Limited and M/s Reliance Industries Limited in the North East. M/s Shell India has also entered into an agreement with NRL to source MS and HSD for their upcoming retail outlets in the North East.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry structure and developments

Indian economy grew by 9.4 per cent in 2006-07 on the back of sterling performances by services and manufacturing sector, the fastest rate in 18 years. The growth exceeded the earlier projection of 9.2 per cent. The figures are impressive also from the point of view that it is on the high base of 9 per cent growth in 2005-06. Despite agriculture acting as a dampener, four out of eight sectors - manufacturing, construction, trade & hotels, business services have recorded double-digit growth. Indian economy has also grown to a trillion dollar economy (at current exchange rate for the rupee), making India only the 12th nation to reach this milestone. The sharp rise in the benchmark indices of the Indian stock market reflects the growing confidence of the investing community on the sustained growth of the economy in general and the corporate sector in particular.

The year 2006 was another year of high and volatile energy prices. But despite high prices, world energy consumption growth remained above average, continuing the trend of recent years. Global demand for petroleum products grew steadily from 83.1 million barrels per day to 83.7 million barrels per day in 2006. While demand from Non-OECD countries grew by 1.1 million barrels per day, driven by China and the Middle East, actual demand from OECD nations shrank on the back of benign weather conditions and substitution of fuel oil by natural gas for power generation during the year.

Supported by a positive economic outlook, the International Energy Agency (IEA) expects to see continued strong growth in global demand for petroleum products and forecasts it to grow by 1.8% to 85.7 million barrels per day in 2007, driven mainly by China, India and the Middle East. In the medium term, petroleum product demand is expected to clock a compounded annual growth rate of 2% during 2006-2010, as per projections of World Refining and Fuel Services, Hart in 2007.

Keeping pace with strong economic growth, the consumption of petroleum products in India has recorded a growth rate of 6% compared to a marginal growth of only 0.3% in the previous year. The consumption of petroleum products during 2006-07 stands at 119.8 Million Metric Tonnes (MMT) as against 113.2 MMT in the previous year. HSD, which accounts for 36% of the total petroleum products demand, registered a growth rate of 6.7% compared to 1.3% in the previous year. Motor Spirit demand increased to 7.5% compared to



Q & Q certification for NRL Energy Station from DNV consultants

4.8% in the previous year. Aviation Turbine Fuel (ATF) recorded the highest growth of 21.5% in the year 2006-07, surpassing its last year's highest growth rate of 17.3%. LPG demand increased by 3.8% compared to 0.6% in the previous year. Naphtha demand has made a strong comeback registering a growth of 13.0% compared to a negative growth of 12.4% last year. There has been a decline in consumption of products like SKO, LDO and FO. Gas consumption (CNG & LNG) has registered a growth of 32% during the year 2006-07.



Managing Director, NRL receives the prestigious Oil and Gas Conservation Fortnight Awards 2006 from Hon'ble Minister of State for Petroleum & Natural Gas Shri Dinsha Patel for attaining excellence in the field of Energy Conservation

During the year, crude prices remained volatile and touched a new high, with the WTI peaking at \$76.95 per barrel in August, 2006. Spurt in crude prices were due to a combination of geopolitical events and unplanned outages of some of the oil production fields. Though prices softened later to \$ 59 per barrel levels by October, 2006, Brent, WTI and Dubai crude prices still averaged at US \$ 65.14, US\$ 66.02 and US \$ 61.52 per barrel for 2006, reflecting an increase of 19%, 17% and 24% respectively over the corresponding levels of 2005. According to ESAI estimates, crude oil prices are expected to remain within the \$50 – 60 per barrel range with WTI, Brent and Dubai prices averaging around \$ 59, \$ 57 and \$53 per barrel over the next few years.

The average price of the Indian basket of crude, which had shown a sharp rise in the previous year, continued its upward movement and reached an average level of USD 62.46 per barrel in 2006-07. The current financial year has continued to witness a sustained growth in crude oil prices in the world markets, even crossing approx. USD 72 per barrel in July' 07. Although there has been some recent downward movement, the crude oil prices have been hovering around USD 66 per barrel. The impact of these high prices on the economy has been contained through a policy of distributing the burden between the Government of India, the oil companies and the consumer.

The prices of finished products in the international markets have also remained high in line with the high crude oil prices. The average price of HSD rose from USD 481 per MT in 2005-06 to USD 658 in 2006-07. The prices of other products like Unleaded Petrol, Liquefied Petroleum Gas (LPG) and Superior Kerosene Oil (SKO) have also shown a rising trend during the year. Although international prices have been rising, domestic prices were not increased in line with them. This has had an impact on the margins of the oil companies.

Although there was a partial increase in the price of petrol and diesel in the middle of the year, the prices of SKO and LPG for domestic consumption were left unchanged. Consequently, the oil marketing companies continued to bear a substantial portion of the subsidy burden. This was the situation even after the upstream companies contributed towards sharing some of the burden of the rising prices. The Government of India issued Oil Bonds to the public sector oil companies to help them cope with the rising costs being incurred by them.



India continues to be heavily dependent on imports for meeting its crude oil requirements. Based on provisional figures, the domestic production of crude oil during the year 2006-07 stood at around 34.0 MMT while imports were almost of the order of 111 MMT, valued at USD 49 billion. While there has been a marginal increase in the quantum of crude imports as compared to the previous year, the increase in value terms has been significant, reflecting the sharp rise in prices.

With a refining capacity of close to 149 MMTPA and consumption of around 120 MMT in 2006-07, the country continues to have enough refining capacity. With several refineries in the process of expanding their capacities, this surplus refining capacity is expected to continue for some time to come. The



export of petroleum products continues to grow and has reached a level of 32.4 MMT in 2006-07. At the same time, import of petroleum products has reached a level of 17.0 MMT as compared to 13.4 MMT in 2005-06.

Consequent to the announcement of the Auto Fuel policy by the Government of India, the transition to Euro-III grades has commenced and the whole country is expected to be covered by March 2010. Considering the sharp rise in prices of crude and petroleum products, the Government of India has been considering measures for introduction of eco-friendly alternate fuels. In this regard, the Government had mandated oil companies to blend 5% ethanol with petrol and are encouraging R&D efforts for commercialization of bio-diesel.

Private players are continuously, albeit slowly, making their presence felt in the domestic market. The retail network has grown considerably, with private players adding around 700 new outlets during the year. However, higher international product prices, without corresponding increase in domestic retail prices, had a negative impact on the performance of the private players and the situation is continuing in the current year also. This has led to decline in their market share to 5.2% as on 31st March, 2007 compared to 13.8% in the previous year.

Opportunities and Threats

The Indian economy appears to be in good shape. With strong fundamentals in place, the economy is slated to deliver strong GDP growth consistently in the coming years. According to RBI's own projection, the economy is expected to grow at 8.5 per cent this fiscal. The development of infrastructure, including



NRL receives the prestigious OISD Awards for the year 2005-06 from the Hon'ble Union Minister of Petroleum and Natural Gas

the road network and growing demand for vehicles, are some factors which will contribute to a strong demand for energy in the coming years. Given its share of the energy basket, the oil and gas sector can be expected to maintain a moderate growth rate of 4% to 5% in the coming years.

The year witnessed significant volatility in refining margins globally. The regional benchmarks averaged lower than their respective peaks in 2006. Indian refineries have also recorded lower GRM in the year 2006-07 compared to previous year as well as regional benchmarks mainly due to inability to pass on the burden of higher crude prices to consumers owing to socio-economic reasons. NRL also recorded a lower GRM (3.42 \$/BBL) during the year as it had to absorb sales tax and pipeline transportation cost for crude purchase, high CST under recovery and higher transportation cost for sale of products. The successful commissioning of its 225 TMTA capacity MS plant would enable NRL to add value to the surplus Naphtha and thereby increase the margin. With the commissioning of this plant, a high value product of BS-II & Euro-III quality MS has been added in the product slate. The construction of Siliguri Marketing Terminal is progressing satisfactorily. The commissioning of this Marketing Terminal in synchronization with Numaligarh-Siliguri product pipeline (being implemented by M/s OIL) is expected to bring down its product positioning cost outside the North East.

In continuation of its pursuit to tap the natural export market in the neighbouring countries, BPCL has recently entered into an agreement with Bangladesh Petroleum Corporation for supply of 10,000 MT of HSD per month from Numaligarh Refinery through river route by barges. In order to substitute Naphtha by Natural Gas as fuel and feed, agreements have been signed with the supplier OIL and the transporter Assam Gas Company Limited (AGCL). In order to implement the Duliajan-Numaligarh Gas Pipeline project, AGCL and NRL have formed a joint venture company, M/s DNP Limited. AGCL and NRL will contribute to the equity of the new company in the ratio of 60:40. The supply of gas will help in reducing production costs and increasing the gross refining margin of the Company.

Education for children - a cause close to our heart



India has already introduced greener transportation 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. As production of Euro-III grade HSD with the existing refinery configuration limits the capacity utilization, through a process of low cost revamp of Hydrocracker and Hydrogen Unit, the Company has taken initiatives to produce Euro-III HSD at full throughput as per the required time frame. Efforts have been initiated for production of value added products like Needle Coke. To take advantage of the inherent strength of North East crude, project proposal is being progressed for production of high value Microcrystalline



Effluent Treatment Plant

and Paraffin Wax in future. One area of concern relates to continuation of Central Sales Tax, although the same is being reduced gradually [4% to 3% w.e.f. 1.4.2007] and introduction of entry tax on crude from the year 2004-05 which will have an impact of around Rs 308 crores per year. However, with the reduction of CST from 4% to 3% w.e.f. 1.4.2007, the yearly impact on this count is expected to reduce by around Rs. 50 crores during 2007-2008.

The retail market continues to offer great potential for growth. The growth in the economy had led to rapid expansion of the vehicle population across the country. With the growing levels of disposable

income, the retail demand for fuels is expected to remain buoyant in the coming years. NRL is focused on tapping this opportunity to the maximum, particularly in the North-East and Eastern regions .

The responses 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



NRL signs MoU with BPCL

captured a market share of 10.47% in the region up from 7% last year and it is likely to increase progressively. In order to maintain the uninterrupted supply of its products in Guwahati city, lower Assam districts and in the state of Meghalaya, NRL is progressing on a proposal to set up a Terminal near Guwahati by taking tap off from the Numaligarh-Siliguri Product Pipeline. In the domestic market, the new players who were allowed retail marketing of petroleum products have increased their activities. With support from its parent company BPCL, NRL expects to make its presence felt in 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.

The petroleum business continues to face the risk of volatile prices of crude oil and finished products. While prices have risen, the complete impact of the same has not been passed on to the end consumer. Also, selling prices of mass consumption petroleum products do not reflect full costs on account of various socio-economic factors. Consequently, the financial health of companies is impacted. In the event of prices heading further upward, the pressure will increase on the finances of the marketing companies.



Shri Dipak Chakravarty, Director (Technical) addressing the 1st All India Dealers' Conference of NRL at Numaligarh

Competition remains the key challenge for the existing players. While the high prices in the international markets and the inability to pass on the same in the domestic markets has had an impact on new players, this is expected to be a temporary phenomenon. In the medium to long term, the competitive pressures are expected to remain strong. However, NRL is geared up to face the emerging situation and is confident of not only retaining its position in the energy

scenario of North East, but also growing in this dynamic market.

Internal Control Systems and their adequacy

NRL has taken proper and sufficient care in implementing a system of internal controls and accounting records which is commensurate with the size of its operation and nature of business to ensure that all assets are safeguarded and protected, and that all transactions are authorised, recorded and reported correctly. The effectiveness of internal control systems are achieved through well documented manuals, policies, rules & procedures and clearly defined organizational structure and Delegation of Authorities with appropriate authority limits across functions. The internal control systems are supplemented by internal audit reviews covering financial, operational and compliance checks on the policies, guidelines and statutory requirements. The audit findings and recommendations are reviewed on an ongoing basis by the top management and Management Audit Committee to ensure that corrective measures are taken in line with the audit findings. The Audit Committee of the Board 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. The use of SAP providing a high level of system based checks and controls have helped in improving efficiency and effectiveness of the Company's internal control system.



State-of-the-art operation theatre at VK NRL hospital at Numaligarh



NRL signs joint venture agreement with Assam Gas Company Ltd.

Human Resources

As on 31st March, 2007, total employee strength of your Company was 718 of which 387 belong to the unionized category and 331 belong to the executive cadre. Amongst them, there are 26 women employees, 7 physically challenged employees, 150 SC/ST employees, 39 minorities and 190 belong to Other Backward Communities.

NRL's core strength has always been the quality of its human assets . Keeping in mind the emerging needs of the competitive environment, your Company continually endeavours to build competencies in people to enable them to attain excellence in all spheres of work. During the year a total of 631 employees have been trained through external as well as in-house training programme of which 26 are women employees.

One of the key challenges that NRL is facing is the retention of skilled and experienced manpower. The opening up of the economy has created numerous avenues, besides increasing overall compensation package. While attrition is a reality, NRL is constantly focused on improving its HR policies to face the emerging challenges.

SC/ST Employees

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

Fulfilment of Social Obligations

With a strong commitment to improve the lives of the people in the neighbouring areas through innovative and people friendly initiatives, NRL continued its various schemes involving local bodies and government departments essentially aiming at providing basic amenities such as improvement of roads and drinking water facilities, free primary medical and health services and medicines through mobile health camps, financial assistance to meritorious students, financial assistance to schools and colleges for developing





Raw water treatment plant

their infrastructure, free distribution of books and other educational aids.

Gender – Friendly work place

Your Company is committed to ensure a gender friendly workplace for both men and women. It has 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 major developments involving the affairs of the Company 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

Your Company continued to maintain harmonious industrial relations with support and co-operation received from employees at all levels. During the year, there were no man days lost due to any industrial relation problem.

Implementation of the Official language

During the year, continued efforts were made to increase the use of Hindi language as per Official Language Policy of Department of Official Language, Ministry of Home Affairs, Government of India. To popularize Hindi amongst employees, various programmes like 'Hindi week', 'Hindi Day' and workshops were held. Employees were encouraged to participate in 'Hindi Training' through correspondence course being imparted by the Central Hindi Directorate, Ministry of Home Affairs. The Company continued to publish Hindi section in 'RODALI', the Company's in-house journal and a Hindi Souvenir "Prayas".

Vigilance

The Vigilance department in its endeavor to maintain a conducive vigilance environment in the organization continued its efforts by taking proactive role in promoting preventive vigilance, ensuring transparency in business dealings by way of implementation of rules & procedures by various departments and compliance of directives as well as advisories received from the Central Vigilance Commission

(CVC) and the Ministry of Petroleum & Natural Gas from time to time. Apart from the preventive role, the vigilance function investigated genuine complaints resulting in logical conclusion, suggested streamlining of rules & procedures in related areas besides undertaking routine, surprise & major works inspections. The department assisted the Chief Technical Examiner's team of the CVC in carrying out scheduled inspections and the learning experience emanating from such inspections were shared and explained to the concerned departments for guidance.

Vigilance Awareness Week was observed during November, 2006 in the various locations of the Company with a number of awareness programmes on the need to fight corruption at all levels and these were attended by the employees and the dealers & contractors associated with the Company.

Health and Safety

NRL always recognizes Health and Safety as vital in all areas of operations and adheres to strict compliance of all safety rules. The Company is firm on continual development in Loss Control Management from its inception and achieved 5 years of continuous Lost Time Accidents free operations on 17th February, 2007. To further strengthen the system based management, the Company has been recertified with ISO: 9001, ISO: 14001 & OHSAS: 18001 in current version.

NRL has bagged Oil Industry Safety Directorate Safety award in the refining sector from Ministry of Petroleum and Natural Gas, New Delhi on 10th November, 2006. NRL was also the recipient of the



Foam storage tank



Offsite disaster mock drill

prestigious NSCI Safety Award (Shrestha Surakhya Puraskar) among manufacturing sector from National Safety Council, Mumbai for 2006-07.

Employees awareness on Health and Safety is of prime importance for Safety Management System and various safety awareness programmes are conducted amongst employees, contractors, and security personnel as well the lorry drivers. For effective emergency management, mock drills are conducted regularly in the refinery.

Ecology and 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 endeavor towards protecting and caring for the environment in every step of its sojourn, the Company has adopted 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 systematic manner.

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, 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 :

- **Certification**

In consonance with the prevailing business practices of the Refining industry, NRL has complied with the requirements for continuation of certifications of Environmental Management System 14001: 2004.

- **Achievement of Zero discharge of effluents**

Zero discharge of treated effluents in Effluent Treatment plant inside refinery has been achieved since 1st October 2006 which means that treated effluent, which is generated within the Refinery, is no longer discharged outside the refinery. It is being recycled inside the refinery premises. Further, zero discharge of the effluents from Sewage Treatment Plant has also been achieved since April 2007 by implementing suitable measures, so that no treated water will flow either from refinery or township to the river Dhansiri.

- **Steps taken for reduction of Green House Gas emission.**

Clean Development Mechanism (CDM) Initiatives

Numaligarh Refinery, a participant for sustainable industrial development of the region, has implemented a host of precautionary measures to protect the environment. As a step towards reduction of green house gas (GHG) emission as well as energy consumption, NRL is installing one 12 mega-watt (MW) Turbo Generator. NRL has undertaken Captive Power Generation by recovery and



NRL stall at IITF, New Delhi



utilization of the waste energy (thermal and pressure) of HP steam. This project activity will reduce releasing of around 34 Thousand Tons per annum of CO₂ gas and other green house gases to the environment. The project is having potential to receive benefits under Clean Development Mechanism (CDM) under Kyoto Protocol. Necessary steps for registering the project as a CDM Project with UNFCCC has already been taken up. The Project Concepts Note (PCN) and the Process Design Document (PDD) of the project have already been prepared and the necessary (Designated National Authority) approval from Ministry of Environment & Forest (MOEF) has been received. Validation process of CDM project is under progress.

For 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.

Integrated Information Systems

During the year, the Company witnessed the smooth functioning of the SAP R/3 ERP software. The Disaster Recovery Site was also set up during the year.

NRL has adopted a centralized architecture for the ERP system whereby all the SAP servers are located at Numaligarh. With a centralized architecture, there is a risk that the business operations would get severely affected in case of a major disruption or disaster at the central site. To protect mission-critical data from service interruptions under all circumstances, and to minimize loss of revenue due to unexpected downtime and to provide timely and effective recovery, NRL has implemented a Disaster Recovery site at its Kolkata Office. Disaster Recovery Planning(DRP) is about continual replication of

live SAP system at a remote location and making use of the same if there is a major disaster at the 'live' site. The successful commissioning of the DR site was a significant milestone.

Extensive auditing exercise has been carried out during the year to ensure that adequate checks and controls exist in the SAP system and also to streamline procedures and practices. In order to ensure a secure computing environment, Networking and Data Security audit has been carried out successfully through external professional agency during the year.

PROJECTS :

In order to remain ahead of competition in this highly competitive market environment, NRL needs to continuously evolve and be equipped with the latest business practices and technologies. Towards this end, NRL has undertaken a number of projects which would lead to value addition and sustain refinery margins in the long run. Major projects completed/ presently under implementation are given below :



Liquid Nitrogen Tanks

COMPLETED PROJECT

- **MS Project (Euro-II/III Specification)**

In order to add value to surplus Naphtha, a 225 TMTPA capacity Motor Spirit Project has been commissioned during the year 2006-2007. The plant has been producing MS conforming to BS-II and Euro-III grade to meet the market demand of the eastern region. It will produce 185 TMTPA of MS conforming to Euro-III grade at full throughput and enhance LPG production by 21 TMTPA besides solving the Naphtha evacuation problem faced by the refinery.

ONGOING PROJECT

- **Siliguri Marketing Terminal Project (SMTP)**

To improve reliability of product evacuation in future, NRL has entered into an agreement with M/s. Oil India Limited (OIL) for transportation of white oil products from Numaligarh to Siliguri through a product pipeline. The product receiving and despatch terminal at Siliguri is being set up



Motor Spirit Plant

by NRL, while construction and operation of the pipeline is under OIL's scope of work. The terminal at Siliguri has achieved an overall physical progress of about 72% as of 15th July, 2007. With the present pace of progress, mechanical completion of the project is expected by December, 2007 and full commissioning by April, 2008 synchronising with commissioning of the product pipeline being laid by OIL.

The project would help in ensuring uninterrupted product evacuation besides reducing freight cost and facilitating high capacity utilization of the refinery.

PROJECT PROPOSALS

• Diesel Quality Upgradation Project

In line with the 'Auto Fuel Policy' of the Government, NRL has been producing HSD conforming to BS-II & Euro-III grades up to 90% capacity utilization without additional capital investment. Since the present capacity utilization of refinery is restricted to 90% for producing BS-II & Euro-III grade HSD, actions have been initiated for revamping the Hydrocracker and Hydrogen Unit for production of Euro-III HSD at 100% capacity utilization to meet the requirement of the 'Auto Fuel Policy' from April, 2010. In this regard, the HCU revamp process package and the 'Capacity

Enhancement Study' of the existing Hydrogen Generation Unit have already been completed through M/s Chevron Lummus Global, USA, and M/s Haldor Topsoe, Denmark respectively. Also M/s Engineers India Limited have been engaged for preparation of a Detailed Feasibility Report (DFR) and for carrying out pre-project activities. The DFR is expected to be completed by September, 2007.

- **Substitution of Naphtha by Natural Gas**

Due to initial constraints in the availability of natural gas from the oil fields of North East, NRL has been using Naphtha as fuel for its power plant and as fuel and feed in the Hydrogen Plant. However, in view of the changing scenario of availability of natural gas and the likely benefits, NRL had signed an agreement with Oil India Limited for purchase of 1 MMSCMD of natural gas which would replace Naphtha as feed and fuel. NRL also signed an agreement with Assam Gas Company for transportation of gas from Duliajan to Numaligarh through a new pipeline. Subsequently AGCL and NRL have signed an agreement on 1st March '07 to form a Joint Venture company with equity participation of 60:40 for implementation, operation and maintenance of the gas pipeline. The implementation process is in progress and purchase orders for procurement of major equipment have already been placed. The project is scheduled to be completed by October, 2008. The project would provide substantial value addition in terms of higher Net Refinery Margin.

- **Wax Project**

Assam crude offers good potential for production of Paraffin & Microcrystalline wax. M/s EIL has been engaged for the preparation of detailed feasibility report for setting up a grass-root Dewaxing / Deoiling unit for production of 50000 TPA Paraffin Wax (Type 1) by processing Medium Vacuum Gas Oil & 4500 TPA Semi-Microcrystalline wax(Grade A) by processing Heavy Vacuum Gas Oil. Also, market survey is being carried out for ascertaining the wax demand in the country.

- **Euro-IV MS/HSD Production**

An amount of Rs. 2.0 crores has been earmarked in the XIth Five Year Plan outlay for preparation of DFR for the production of Euro-IV MS/HSD to meet the implementation schedule of 'Auto Fuel Policy'.

FUTURE PLANS

In addition, the Company has identified following major projects/schemes to be undertaken for feasibility study/ implementation in a phased manner.



- Naphtha Splitter Unit for supplying of 160 TMTPA of petrochemical grade Naphtha to the proposed Assam Gas Cracker project as feed stock. The process package for Naphtha Splitter Unit has been prepared.
- Production of Needle Coke for adding value to the Raw Petroleum and Calcined Petroleum Coke.
- Exploring the possibility of projecting some of the major ENCON projects as CDM (Clean Development Mechanism) under Kyoto Protocol.
- Feasibility study for Refinery Capacity Expansion by 30-50% based on revamp of existing units subject to crude availability .

INVESTMENT IN JOINT VENTURES

• **Brahmaputra Cracker and Polymer Limited**

A Joint Venture agreement was signed between GAIL, OIL, NRL and Government of Assam on 18.10.2006 to form a Joint Venture Company for implementation of Gas Cracker project in the state of Assam at an approved project cost of Rs. 5461 crores. The project will be implemented by GAIL, being the major promoter with 70% equity holding. A new company i.e. M/s Brahmaputra Cracker & Polymer Limited has already been formed on 8th January, 2007. In accordance with the approval of the Government, NRL will contribute 10% of the equity in the JVC as one of the promoters which works out to Rs. 111 crores. Also OIL and Government of Assam will contribute



Developed by NRL under Community Development Scheme

10% each in the equity capital of the JVC. NRL will also supply 160 TMT of Naphtha per annum to the Gas Cracker project as feed.

- **DNP Limited**

For implementation, operation and maintenance of the natural gas pipeline project from Duliajan to Numaligarh, an agreement was signed between Assam Gas Company Limited (AGCL) to form a new company with equity participation of 40% by NRL and 60% by AGCL. Accordingly, a new Company M/s DNP Limited has been incorporated on 15th June, 2007. Based on a total project cost of Rs. 318 crores, NRL's share of equity in DNP Limited works out to around Rs. 43 crores. Preliminary project activities have already started. The project is expected to be completed by November, 2008.

AWARDS AND RECOGNITIONS

Numaligarh Refinery has been awarded the 1st prize of TERI Corporate Environmental Award 2007 in recognition of its leadership efforts towards Environment Management and Innovative initiatives amongst corporations with turn over above Rs.500 Crores.



NRL retail outlet dealers along with NRL officials at the 1st All India Dealers Conference at Numaligarh

NRL has been awarded the Greentech Environment Excellent Award 2006 in silver category in recognition of its leadership initiatives and efforts towards Environment Management.

NRL has bagged the second level Award in the Manufacturing Sector namely, “Shreshtha Suraksha Puraskar” for the year 06 by the National Safety Council, an apex autonomous body at the national level for developing and leading the voluntary movement on safety, health & environment set up by the Ministry of Labour, Government of India. This award is given for achieving outstanding occupational safety & health performances and implementing effective management systems & procedures.

NRL has bagged the second prize in the “Refining category” of the prestigious Oil Industry Safety Award for the year 2005-2006 instituted by the Oil Industry Safety Directorate (OISD) under the Ministry of Petroleum and Natural Gas. The award assumes significance for NRL since it gives due recognition to its sustained efforts to excel in safety performances.

NRL was declared as one of the proud winners of the prestigious Oil and Gas Conservation Fortnight (OGCF) award 2006 for attaining excellence in the field of energy conservation. NRL was adjudged the 3rd prize winner for its exemplary feat in achieving insulation effectiveness of furnace/ boiler by a survey conducted simultaneously by the Centre for High Technology at Indian refineries, during January, 2006.

Memorandum of Understanding with BPCL

Your Company has achieved an excellent rating with a composite score of 1.231 in accordance with the Memorandum of Understanding (MOU) entered into with Bharat Petroleum Corporation Limited , its holding company, on 24th March, 2006 for the year 2006-2007, in line with the guidelines of Department of Public Enterprise, Government of India.

Your Company has also signed the performance MOU with BPCL on 13th February, 2007 for the year 2007-2008. The MOU outlines stringent performance targets for sustained and continual improvement of refinery operations.

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, 2007 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 2006-07. However, foreign exchange outgo during the year was Rs.572.01 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. Yet, as a good corporate governance practice, a report on Corporate Governance covering the relevant disclosure is annexed to the Directors' Report as Annexure-B. The Directors' Report also contains a chapter on 'Management Discussion and Analysis'. The forward looking statements made in the 'Management Discussion and Analysis' are based on assumptions and expectations of future events. The Directors cannot guarantee that these are accurate or these expectations will materialize.



NRL Township

Statutory Auditors

M/s. Shankarlal Jain and Associates, Chartered Accountants, Guwahati were appointed as Statutory Auditor for the year 2006-07 by the Comptroller & Auditor General of India (C&AG) 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 will be approached in due course of time for the appointment of Statutory Auditors for the financial year 2007-2008.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors of NRL confirm that :

1. In the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed along with proper explanation relating to material departures
2. The company has selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company as on 31st March 2007 and of the Profit and Loss Account of the Company for the year ended on that date.
3. The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. These Accounts have been prepared on a going concern basis.

Board of Directors

Shri T. K. Anantha Kumar, erstwhile Director (Finance) of the Company has resigned from the Board w.e.f. 18.1.2007 on his appointment as Director(Finance), Oil India Limited. The Directors have placed on record their appreciation of the significant contribution and valuable service rendered by him during his tenure with NRL.

Shri Manu Srivastava, Director (GP), Ministry of Petroleum & Natural Gas was appointed as Additional Director w.e.f. 20th February, 2007 and Shri Nilmoni Bhakta, GM(Finance), BPCL was appointed as Additional Director w.e.f. 23rd July, 2007. Shri Nilmoni Bhakta also assumed the office of Director(Finance) of the Company w.e.f. 25th July, 2007 in pursuance of his appointment by the President of India.

Shri Manu Srivastava and Shri Nilmoni Bhakta, 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 P. C. Sharma, Shri H. S. Das and S. A. Narayan will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors at the said meeting.

Bio data of Shri P.C.Sharma, Shri H.S.Das, Shri S.A.Narayan, Shri Manu Srivastava and Shri Nilmoni Bhakta are provided in the Corporate Governance Report.

Acknowledgment

Your Directors convey their deepest appreciation to all the members of NRL family for their sincerity, devotion and perseverance in their respective fields, which has helped the Company to grow from strength to strength and arrive at the high echelon of success it so rightly deserves.

The Directors place on record their deep appreciation to NRL's valued customers for their continued cooperation, patronage and confidence and look forward to the continuance of this mutually supportive relationship in future.

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

Your Directors gratefully acknowledge the support and guidance received from Central Government particularly, the Ministry of Petroleum & Natural Gas, Petroleum Planning and Analysis Cell, Oil Industry Development Board, Railways, Income tax, Customs and Central Excise Department as well as from the Government of Assam and other Government agencies.

Your Directors express their sincere thanks to each and every shareowners of NRL particularly Bharat Petroleum Corporation Limited, Government of Assam and Oil India Limited for reposing their confidence and support to NRL management.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 06-08-2007

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, the following Encon schemes have been taken up for implementation during the year 2006-2007:

- A unique Step Less Control system has been implemented in the Make-up Gas Compressor of the Hydrocracker Unit during the year 2006-07 which is expected to save around 600 MT of fuel per year. This has also improved the energy efficiency of the machine as well as the operational convenience. NRL bagged the prestigious TERI award for best Energy Management with the above mentioned Stepless control system as case study.
- Implementation of 12 MW STG for utilizing surplus waste steam and recovering power from PRDS is under progress. The project is expected to recover around 14000 MWH of energy through PRDS as well as utilize total surplus steam of the refinery.
- During Oil & Gas Conservation Fortnight in the month of January 2007, a joint team of CHT conducted steam leak survey, and remedial actions initiated for all the identified leaks.
- Special type of telescopic insulation has been provided in all the 150 nos of catalyst tubes at the reformer top to cover the bare hot tube length (550 to 600 C) which comes out above the roof metal casing plate during running due to thermal expansion of the Catalyst Tubes. These telescopic seals are capable of compensating at least 225 mm of catalyst tube movement (during thermal expansion) and is saving around 600 MT of fuel per annum. This project has received PCRA exemplary award for energy conservation.
- Dual-purpose turbine has been implemented in CPP.

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.

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 are in progress (already implemented in CDU/VDU during 2004-05). Tender invited for APC implementation in DCU and HCU.

- Works for using Natural Gas to replace Naphtha in GTG and Hydrogen Unit is under progress.
- Replacement of conventional lighting fixture 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 production of Euro-III grade MS supplied by M/s Axens, France has been fully absorbed during the year.
- In order to further improve the refinery operation, NRL will use Natural Gas as feed to Hydrogen unit and fuel to refinery, thereby replacing the naphtha being used at present.
- NRL is in the process of implementation of Diesel Quality Upgradation Project by Revamping the existing Hydrocracker and Hydrogen unit for producing entire HSD conforming to Euro-III Spec.
- A unique Step Less Control system has been implemented in Hydrogen Compressor of the HCU during the year 2006-07 for which the technology was adopted from M/s Hoerbiger, India.

Details regarding efforts made in technology absorption as per prescribed **Form B** is annexed hereto.

FORM A

Form for disclosure of particulars with respect of conservation of energy

A. Power & Fuel Consumption			2006 -2007	2005 -2006
1. Electricity				
a) Purchased				
Unit (million KWH)			0.000	0.005
Total Amount (Rs. Million)			0.00	0.02
Rate / Unit (Rs./KWH)			3.85	3.85
b) Own Generation				
i) Through Diesel Generator				
Units (million / KWH)			—	—
Units per ltrs of Gas Oil			0.020	0.019
Cost / Unit (Rs./KWH)			—	—
ii) Captive Power Plant				
Net (million KWH)			191.29	172.84
Fuel Consumption (Qty - MT)				
Naphtha			65097.97	57298.60
HSD			152.22	2064.34
Total Fuel (MT)			65250.19	59362.94
Total Amount (Rs. Million)			1795.57	1436.10
Cost / Unit (Rs./KWH)			9.39	8.31
2. Internal Consumption				
a) Liquid Fuel				
Quantity (MT)	Naphtha		32658.12	34240.12
	FO		47386.00	38230.93
	LPG		3607.30	1691.40
	Total Fuel (MT)		83651.42	74162.46
Total Amount (Rs. Million)			1757.62	1425.05
Avg.Rate (Rs./Unit)			21011.26	19215.31
b) Refinery Gas				
Quantity (MT)			115917.01	87038.83
Total Amount (Rs. Million)			2535.75	1708.13
Avg.Rate (Rs./Unit)			21875.59	19624.96
B. Energy Consumption per unit of production				
	UNIT	STD. IF ANY	2006 -2007	2005-2006
ELECTRICITY	KG/MT		28.77	30.47
LIQUID FUEL	KG/MT		36.89	38.07
REFINERY GAS	KG/MT		51.12	44.68
TOTAL	KG/MT		116.78	113.22

FORM B

Form for disclosure of particulars with respect to Technology Absorption

RESEARCH & DEVELOPMENT

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.

For the further value addition to the vacuum residue , R&D initiative has been taken up in association with R&D division of IOCL to produce needle coke by making a suitable feed blend and optimization of the various process parameters in the existing Delayed Coker Unit.

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. Result of the pilot plant studies is encouraging and the feasibility study in this regard is being taken up for production of needle grade coke.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

NRL has completed the 225 TMTPA Motor Spirit project with the latest technological developments and advances provided by M/s Axens, France. With the commencement of production of Euro-III grade MS , the technology has been fully absorbed.

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

The MS Plant besides contributing towards value addition to the surplus naphtha produced in the refinery, would also ensure better marketing flexibility and enhance the production of LPG by about 21 TMTPA.

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	2003-2004
b) Has Technology been fully absorbed?	
Yes.	

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 under section 617 of the Companies Act, 1956 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,2007, the Board of NRL comprises two Whole time (Executive) Directors including the Managing Director, two part-time (Ex-officio) Directors representing the Ministry of Petroleum & Natural Gas and one part-time (Independent Director) appointed by the Government of India and seven part-time (Ex-officio) Directors appointed by the Promoters, namely , Bharat Petroleum Corporation Limited (Five) and Govt. of Assam (Two). As on that date, the position of Director(Finance) was lying vacant and Managing Director was holding the additional charge in addition to his own duties and responsibilities in accordance with the approval of the Government.

The Chairman and Managing Director, BPCL is the Chairman of the Company and he has chaired all meetings of the Board and the Annual General Meeting of the Company held 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,2007, are as under :

Name of the Directors	Academic Qualifications	Date of joining as Director of the Company	Attendance out of 6 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 Meetings Attended	%		
Shri B.K.Das, Managing Director [holding additional charge of Director (Finance) w.e.f.18.1.07]	B.E.(Hons) in Electronics and MBA(IIMA)	03.01.96	6	100	Attended	Director 1. BCPL
Shri T.K. Anantha Kumar Director (Finance) [Up to 18-01-07]	B.Com, A.C.A	12.11.03	5	100*	Attended	—
Shri Dipak Chakravarty Director (Technical) [w.e.f. 04-08-06]	BE (Chem. Engg.) and MS (Chem. Engg.)	04-08-2006	4	75*	Attended	—
(a) Part-time (Ex-officio)						
Shri Ashok Sinha Chairman & Managing Director Bharat Petroleum Corporation Ltd. Mumbai –400001. [Chairman of the Company]	B.Tech. (Elect.) M.B.A	14.09.01	6	100	Attended	C&MD 1. BPCL Chairman 2. BORL Director 1. BSL 2. PLL 3. BPRL
Shri C. B. Singh, Joint Advisor (Fin. I) Ministry of Petroleum & Natural Gas, Govt. of India Shastri Bhawan New Delhi-110001	MA (Economics)	26.07.06	5	100*	Attended	Director 1. Guru Gobind Singh Refineries Ltd.
Shri Manu Srivastava Director (GP), Ministry of Petroleum & Natural Gas, Govt. of India Shastri Bhawan New Delhi-110001	B.Tech(Elect) M.Tech (Com. Tech.)	20.02.07	1	100*	**	Director 1. BCPL 2. IBP Co. Ltd
Shri P. C. Sharma, IAS Chief Secretary to the Govt. of Assam, Dispur, Guwahati-781006	M.Sc., L.L.B.	28.01.04	Nil	Nil	Absent	Director 1. BRPL 2. AGCL 3. BCPL 4. AID 5. ASTC

Name of the Directors	Academic Qualifications	Date of joining as Director of the Company	Attendance out of 6 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 Meetings Attended	%		
Shri H. S. Das, IAS Principal Secretary to the Govt. of Assam, Finance Department Dispur, Guwahati-6	M.A.(Eco.)	29.08.00	4	67*	Attended	Director 1. AIDC 2. ATC
Shri S.A. Narayan Director(HR) Bharat Petroleum Corpn. Ltd. Mumbai-400001	B.Sc. (Hons), M.A. (Pers), L.L.B	14.09.01	5	83*	Absent	Director 1. BPCL 3. PIL
Shri S. Radhakrishnan Director (Marketing) Bharat Petroleum Corpn. Ltd. Mumbai-400001	B.Tech (Mech.) M.B.A.	11.12.02	6	100	Attended	Director 1. BPCL 2. IGL 3. Sabarmati Gas Limited 4. Bharat Shell Limited
Shri R. K. Singh Director (Refineries) Bharat Petroleum Corpn. Ltd. Mumbai-400001	B. Tech (Mech. Engg)	04.04.06	6	100	Attended	Director 1. BPCL 2. BPRL 3. BORL
Shri S. K. Joshi Director (Finance) Bharat Petroleum Corpn. Ltd. Mumbai-400001	A.C.A, M.B.A.	04.04.06	3	50*	Attended	Director 1. BPCL 2. BPRL 3. BORL 4. Petronet CI Ltd. 5. BPR JPDA Ltd.
(b) Part-Time (Independent)						
Shri J. P. Rajkhowa, IAS (Retd.) Former Chief Secretary to the Govt. of Assam Narikalbasti, Guwahati-781024	MA (Economics)	26.07.06	5	100*	Attended	—

BCPL: Brahmaputra Cracker & Polymer Limited, **BPCL:** Bharat Petroleum Corporation Ltd., **BPRL:** Bharat PetroResources Limited, **BORL:** Bharat Oman Refineries Ltd. **BSL:** Bharat Shell Limited, **PIL:**

Petronet India Limited, **PLL**: Petronet LNG Ltd **BRPL**: Bongaigaon Refinery & Petrochemicals Ltd, **AGCL**: Assam Gas Company Ltd., **AIDC**- Assam Industrial Development Corporation Ltd., **ATC**- Assam Tea Corporation Ltd., **ASTC**: Assam State Transport Corporation Limited, **IGL**: Indraprastha Gas Ltd, **BPR JPDA Ltd**: Bharat PetroResources JPDA Limited

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) Six Board Meetings were held during the financial year 2006-2007. Date of these Board Meetings are given below:

28 th April, 2006	26 th July, 2006	22 nd September, 2006
30 th October, 2006	10 th January, 2007	20 th February, 2007

2. Audit Committee

NRL took the initiative to introduce Corporate Governance in the Organisation during the year 1999 by constituting the Audit Committee of the Company. The said committee was reconstituted in the year 2001 in accordance with the provisions of section 292A of the Companies Act, 1956 and the role, powers and functions of the Audit Committee were specified and approved by the Board.

The Audit Committee of the Board which earlier consisted of two non executive Directors and one functional Director was reconstituted during September, 2006 with three non executive Directors. The quorum for the meetings of the Committee is two members or 1/3rd of the members of Audit Committee whichever is higher. Shri P.C.Sharma, Chief Secretary to the Govt. of Assam is the Chairman and Shri H.S.Das, Principal Secretary, Finance, Govt. of Assam and Shri R.K.Singh, Director(Refinery), BPCL are the members of the Committee. All the members possess the requisite knowledge of Finance & Accounting for effective functioning of the Audit Committee. The Company Secretary acts as the Secretary of this Committee.

Director(Finance), BPCL and ED(Audit) BPCL along with three functional Directors of the Company including the Managing Director are invited to attend the meetings of the Committee as Special invitees. The head of Internal Audit and Statutory Auditors are also invited to attend the Audit Committee Meetings as and when required.

The role and responsibilities of the Audit Committee as approved by the Board includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if, required, the replacement or removal of the statutory auditor, fixation of audit fee and also approval for payment for any other services rendered by the statutory auditors.

3. Reviewing with management, the annual financial statements before submission to the Board, focusing primarily on :
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Any change in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Disclosure of any related party transactions i. e transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
4. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
5. Reviewing with management, performance of statutory and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with statutory auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
10. Reviewing the company's financial and risk management policies.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholder (in case of non payment of declared dividends) and creditors.
12. Defining the significant related party transactions.

During the financial year 2006-07, six meetings of the audit committee were held on the following dates:

21 st April, 2006	28 th April, 2006	22 nd June, 2006
26 th July, 2006	26 th October, 2006	14 th February, 2007

Attendance at the Audit Committee Meetings :

Name of the members	No of Meetings attended	% age thereof (out of 4 nos. meeting held)	Attendance at the last Annual General Meeting
Shri P. C. Sharma, Chairman	4	67	Absent
Shri H.S.Das, Member	5	83	Attended
Shri R.C.Choudhary, Member (up to 31st July,2006)	4	100*	Attended
Shri R. K. Singh (w.e.f. 22nd September,2006)	2	100*	Attended

* Percentage computed by considering the meetings attended with the total meetings held during his tenure.

The Committee at its meeting held on 26th July, 2006, 26th October, 2006, 14th February, 2006 and 21st May, 2007 reviewed the 1st quarter/ 2nd quarter and half yearly /3rd quarter/ 4th quarter and annual financial statements as on 30th June, 2006, 30th September, 2006 , 31st December, 2006 and 31st March, 2007 respectively before the same were submitted to the Board for record/approval.

3. Remuneration Committee

NRL being a Govt. Company, appointment and terms & conditions of remuneration of Executive Directors (whole-time functional) are determined by the President of India through the Ministry of Petroleum & Natural Gas. Details of remuneration paid to the Whole-time Directors during the financial year 2006-2007 are given below :

Name of Directors	All elements of remuneration package of the Directors i.e. salary, benefits, bonuses, 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	15,67,893/-	Fixed Com: 9,99,815/- PLI & PI : 2,88,131/- PLI & PI : 1,78,324 (Arrear)	1,01,623/-	On contract for five years w.e.f. 11-11-2002, which is renewable for further similar periods. Extension of tenure beyond 10.11.2007 till 31.3.2011 has been approved by the Govt. Notice period: Three months
Shri R.C.Choudhary Director(Technical) [Upto 31.7.2006]	7,84,577/-*	Fixed Com: 3,25,411/- PLI & PI : 2,56,050/- PLI & PI : 1,62,649/- (Arrear)	40,467/-	Retired w.e.f. 31.7.2006 on superannuation

Name of Directors	All elements of remuneration package of the Directors i.e. salary, benefits, bonuses, 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) [Upto 18.1.2007]	10,21,710/-*	Fixed Com : 6,46,748/- PLI & PI : 1,22,660/- PLI & PI : 1,58,641/- (Arrear)	93,661/-	Resigned w.e.f.18.1.2007
Shri Dipak Chakravarty Director(Technical) [w.e.f. 4.8.2006]	7,42,243/-	Fixed Com : 5,25,823/- PLI & PI : 1,03,120/-	1,13,300/-	On contract for five years w.e.f.4.8.2006 , which is renewal for further similar periods. Present contract expire on 3.8.2011. Notice Period : Three months.

PLI : Performance Linked Incentive Scheme ; PI – Productivity Incentives

*Retirement benefits excluded

During the year, Shri J.P.Rajkhowa, was appointed as Part-time (Independent) Director in accordance with the approval of the Government. The Company has paid an amount of Rs. 50,000/- towards sitting fee for attending the meetings of the Board.

4. Investors Grievance Committee

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

5. 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
11 th Annual General Meeting	6 th August,2004 at 3.00 P.M.	Company's Registered Office at Lotus Tower, G. S. Road, Guwahati-781005
12 th Annual General Meeting	9 th September,2005 at 3.15 P.M.	-Do-
13 th Annual General Meeting	22 nd September,2006 at 3.00 P.M.	Conference hall of Hotel Brahmaputra Ashok, M.G. Road, Guwahati-781001

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

	Special Business	Type of Resolution	Date of Meeting
Extra Ordinary General Meeting	Commencement of New Business	Special Resolution	EGM held on 10-01-2007 at New Delhi

c) Postal Ballot:

No resolution was passed in the 13th AGM through postal ballot. In the ensuing 14th AGM also, the Company has no such resolution proposed for approval of the shareholders through postal ballot.

6. Brief Resumes of Directors seeking re-appointment

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

i) Shri P. C. Sharma

Shri P. C. Sharma, Chief Secretary to the Govt. of Assam is a senior IAS Officer belonging to the 1975 Batch of Assam Meghalaya Cadre. He was appointed by the Board w.e.f. 28.1.2004 and by Shareholders in the Annual General Meeting held on 6th August, 2004. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Shri P. C. Sharma did his M.Sc. in Chemistry and LLB from Gauhati University. He has worked in various capacities under the Govt. of Assam as well as Government of India holding several key positions. At present, he is also a Director of Assam Gas Company Limited, Bongaigaon Refinery and Petrochemicals Limited, Brahmaputra Cracker and Polymer Limited, Assam Industrial Development Corporation Limited, Assam State Transport Corporation Limited and DNP Limited.

ii) Shri H. S. Das

Shri H.S.Das, was appointed by the Board w.e.f. 29th August, 2000 and thereafter by the Shareholders in the Annual General Meeting held on 14th September, 2000. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Shri H.S.Das, did his MA in Economics securing first class with specialization in Mathematical Economics and Econometrics. Shri Das is a senior IAS officer belonging to the 1982 Batch of Assam Meghalaya cadre having wide experience in Finance, Planning, Tourism, Home & Political Affairs, Industry and Commerce, Cultural Affairs etc. Presently, he is working as the Principal Secretary to the Govt. of Assam, Finance Department. He is also a Director of Assam Industrial Development Corporation Limited and Assam Tea Corporation Limited.

iii) Shri S. A. Narayan

Shri S. A. Narayan, Director (Human Resource), Bharat Petroleum Corporation Limited is a B.Sc. (Hons) and M.A. in Personnel Management from Tata Institute of Social Sciences, Mumbai. He has also completed his L.L.B. from the University of Mumbai. Shri S. A. Narayan has handled different aspects of Personnel and HR in BPC during the last 29 years besides another five years in private and multinational Corporations. Besides holding the directorships in BPCL and NRL, he is also a director of Petronet India Limited.

Shri S.A.Narayan was appointed as Director by the shareholders in the Annual General Meeting held on

14th September, 2001. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

iv) Shri Manu Srivastava

Shri Manu Srivastava, Director(GP), Ministry of Petroleum & Natural Gas, is a senior IAS officer belonging to the 1991 Batch of MP Cadre. He did his B. Tech in Electrical Engineering and M.Tech. in Communication Technology from IIT, Delhi. In addition to NRL, he holds the Directorship in Brahmaputra Cracker & Polymer Limited.

Shri Manu Srivastava was appointed as Additional Director w.e.f. 20th February, 2007 by the Board of Directors under the provisions of Article 85 of the Articles of Association of the Company, in accordance with the intention of the Government of India. Being an Additional Director, he holds office upto the date of the Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956, from a member, proposing his name as Director of the Company.

v) Shri Nilmoni Bhakta

Shri Nilmoni Bhakta was appointed by the Board as Additional Director w.e.f. 23rd July, 2007 under the Article 85 of the Articles of Association of the Company and as Director(Finance) with effect from the date of his assuming the charge of the post in accordance with the MOP&NG letter No. 31019/3/2006-CA dated 20.7.2007 read with Article 88(i) of the Articles of Association of the Company. Shri Nilmoni Bhakta has assumed the charge of the post of Director(Finance) of the Company with effect from 25th July, 2007 in accordance with the intention of the Government of India.

Shri Nilmoni Bhakta is a Post Graduate in commerce from Delhi University and is a member of the Institute of Cost and Works Accountant of India. He also did his Post Graduate Diploma in Personnel Management from the National Institute of Personnel Management and Management Diploma from the International Management Institute, New Delhi. Shri Bhakta was working with Bharat Petroleum Corporation Limited for about 26 years, besides another 2 years in Glaxo Laboratories (India) Limited. Shri Bhakta has handled several important positions in BPCL including GM (Finance & Taxation) and has wide ranging experience in all the related areas in the Finance and Accounting. He is a leading expert in Taxation matters of petroleum products in the industry. Prior to his joining in NRL, he was holding the position of Director(Commercial) in Maharashtra Natural Gas Limited.

Being an Additional Director, he 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 his name as Director of the Company.

7. Disclosures and compliance

- a. There was no transactions of material nature that may have potential conflict with the interests of the Company at large.
- b. During the last three years, there was no instance of non-compliance of any provisions of law, guidelines from regulatory authorities etc.

- c. There is no qualifications in the Auditors' Report on the financial statements to the shareholders of the Company.

8. 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 mandatory.

9. Means of communication

NRL, being a non listed Company, publishing of quarterly/half yearly and annual financial statements are not mandatory. However, as a good corporate governance practice, the Company has been sharing relevant information with its shareholders as well as other stakeholders from time to time through its web site (www.nrl.co.in), press release, Annual Reports, etc.

10. Management Discussion & Analysis Report

A chapter on Management Discussion & Analysis is covered in the Directors' Report.

11. General information to shareholders

a.

Number of AGM	14 th Annual General Meeting
Date and Time	14 th September, 2007 at 3.00 P.M.
Venue	Conference hall of Hotel Brahmaputra Ashok, M.G.Road, Guwahati-781001
Dividend payment	The Board has recommended Dividend @ Rs.2.50 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.
- d. Market Price Data : Since the Company's shares are not listed , market price of share is not available.
- e. Registrars & Share Transfer Agents: Due to change of R&T Agent for electronic connectivity by Bharat Petroleum Corporation Limited to M/s Data Software Research Company Pvt. Limited for handling shares into depository mode with National Security Depository Limited(NSDL), M/s Data Software Research Co. Pvt. Limited (DSRC) were appointed as Share Transfer Agents for NRL w.e.f. 30. 03. 2007

The address of DSRC is as follows ;
 Shri H.Krishnamoorthy
 General Manager(Operations)
 Data Software Research Co. Pvt. Limited
 'Sree Sovereign Complex'
 22, 4th Cross Street Trust Puram
 Kodambakkam,
 Chennai- 600024
 Ph: +91-44-24833738/24834487
 Fax: +91-44-24834646
 Email: dsrmd@vsnl.com

f. Share Transfer System:

A Committee comprising of all the three Functional Directors , namely, Managing Director, Director(Finance) and Director(Technical) considers the request for transfer /transmission of shares, dematerialization of shares etc. Transfers in physical form are registered after ascertaining objections, if any, from the transferors . Request for dematerialization of shares are processed and confirmation is given to the depository i.e. NSDL within the stipulated time.

g. Dematerialization of Shares : As on 31st March, 2007, all the shares are held in physical form.

h. Shareholding Pattern as on 31-03-2007

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

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 1.1.2007

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	335	41	12.23	28	8.35	—
Lowest rung of Group - A	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total		335	41	12.23	28	8.35	—
Group - B	Permanent	—	—	—	—	—	—
Group - C	Permanent	373	25	6.70	48	12.86%	—
Group - D (Excluding Sweepers)	Permanent	12	—	—	6	50%	—
Group - D (Sweepers)	NIL	—	—	—	—	—	—
Total		720	66	9.16	82	11.38%	—

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

Position as on 01.01.2007

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	12	12	6	—	6
II	Rs. 4150	C	14	14	12	—	2
III	Rs. 4450	C	NIL	NIL	NIL	—	—
IV	Rs. 4700	C	21	21	15	1	5
V	Rs. 4900	C	7	7	5	1	1
VI	Rs. 5200	C	102	102	75	8	19
VII	Rs. 5350	C	218	218	183	15	20
VIII	Rs. 5650	B	11	11	10	—	1
SUPERVISORY EMPLOYEES							
01	RS. 6550- 11350	A	-	-	-	-	-
02	RS. 10750-16750	A	5	5	3	1	1
A	RS. 12000- 17500	A	107	107	66	26	15
B	RS. 13750-18700	A	88	88	78	7	3
C	RS. 16000-20800	A	67	67	60	5	2
D	RS. 17500-22300	A	26	26	21	1	4
E	RS. 18500-23900	A	20	20	18	-	2
F	RS. 19000-24750	A	12	12	10	1	1
G	RS. 19500-25600	A	10	10	10	-	-
H	RS. 20500-26500	A	-	-	-	-	-

Statement showing the Number of Reserved vacancies filled by Members of Scheduled Castes & Scheduled Tribes during the year 2006

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 5rd 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	35	35	5	5	1	4	—	—	2	2	3	—	—	—	—
Group - B	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group - C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Group - D (Excluding Sweepers)	1	1	—	—	—	—	—	—	—	—	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, NUMALIGARH FOR THE YEAR ENDED 31st MARCH, 2007.

The preparation of financial statements of Numaligarh Refinery Limited, Numaligarh for the year ended 31 March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 May, 2007.

I , on the behalf of Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Numaligarh Refinery Limited, Numaligarh for the year ended 31 March, 2007. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

Sd/-

A. Roychoudhury

Principal Director of Commercial Audit &
Ex-officio Member, Audit Board - I,
K O L K A T A

Place: Kolkata
Dated: 09 July 2007

Brand NRL *Breaking grounds. Winning hearts.*



Auditors' Report to the Members of Numaligarh Refinery Limited

We have audited the attached Balance Sheet of Numaligarh Refinery Limited as at 31st March, 2007, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) 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-
 - Note No.13 regarding writing off intangible assets profit for the year is understated by Rs.1.70 million.
 - Note No. 16 regarding valuation of inventories, Profit for the year is overstated by Rs.245.49 million.

- Note No. 17 regarding valuation of surplus material under stores inventory profit for the year is understated by Rs.133.51million.
 - Note No. 18 regarding depreciation on fixed assets profit for the year is understated by Rs. 2.48 million.
- vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant accounting policy and Notes appearing in Schedules “X” and “Y” respectively, 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 '07;
 - 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.

For SHANKARLAL JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-

S.L.AGRAWAL
PARTNER
M.NO.:- 72184

Place: Mumbai
Date: 21/05/2007

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, 2007)

1. a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipes, valves, meter instruments and other similar items peculiar to a continuous process industry and particulars of land which is subject to reconciliation.
- 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 i.e. furniture & fixtures has been physically verified by the management during the year and the discrepancies noticed between book records and physical inventory, which was not material.
- 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, the preparation of financial statements on a going concern basis is not affected.
2. a) The inventories of finished goods, raw material and stores & spares except those lying with contractors / third parties have been physically verified by the management during the year. 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 Companies Act, 1956, except short term inter corporate deposit of Rs.95 Crores to a holding company and the same has been received along with interest thereon.
- 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 Companies Act, 1956 therefore the provision of sub clauses of sub para (3) is not applicable to the company.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources don't exist for obtaining comparable quotations 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, there was no transactions that needed to be entered in the Register required to be maintained under section 301 of Companies Act, 1956.
 - 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. However it needs to be strengthened, further.
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 generally 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) As per explanation given to us, no undisputed amount payable in respect of the aforesaid statutory dues were in arrears as at 31.03.2007 for a period of more than six months from the date they became payable.
 - c) 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, 2007 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	1345.82	Appellate Authority, Central Excise.
Income Tax Act, 1961	Income Tax	2.33	Commissioner of Income Tax (Appeals)
AGST & CST Act	Sales Tax	32.88	Commissioner of Taxes (Assam)
West Bengal Sales Tax	Sales Tax	1.45	Commissioner of Sales tax (West Bengal)

10. The Company has no accumulated losses as at 31st March, 2007 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, the funds raised on short term basis during the year has prima facie not been used for long term investment.
18. 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.

19. The Company has not issued any debentures during the year and accordingly, the question of creation of security or charge does not arise.
20. The Company has not raised any money by public issues during the year.
21. 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

For SHANKARLAL JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS

Sd/-

S.L.AGRAWAL
PARTNER
M.NO.:- 72184

Place: Mumbai
Date: 21/05/2007

Balance Sheet as at 31st March, 2007

	Schedule	Rs. Million	31-03-2007 Rs. Million	Rs. Million	31-03-2006 Rs. Million
SOURCES OF FUND					
(1) Shareholder's Fund					
a) Capital	A	7,356.32		7,356.32	
b) Reserve and Surplus	B	13,093.36	20,449.68	9,556.96	16,913.28
(2) Loan Funds	C				
a) Secured Loans		1,110.22		4,723.59	
b) Unsecured Loans		1,038.30	2,148.52	1,238.30	5,961.89
(3) Deferred Tax Liability (net)			3,434.51		3,955.29
TOTAL			26,032.71		26,830.46
APPLICATION OF FUND					
(1) Fixed Assets	D				
a) Gross Block		29,857.33		26,669.95	
b) Less : Depreciation		9,780.13		7,373.51	
c) Net Block		20,077.20		19,296.44	
d) Capital Work-in-Progress	E	976.29	21,053.49	2,970.61	22,267.05
(2) Intangible Assets	D1				
a) Gross Carrying Amount		98.45		83.92	
b) Less : Accumulated amortisation		29.53		11.74	
c) Net carrying amount			68.92		72.18
(3) Investments	F		617.99		643.09
(4) Current Assets, Loans & Advances					
a) Inventories	G	8,210.42		7,980.93	
b) Sundry Debtors	H	2,103.84		2,677.30	
c) Cash & Bank Balances	I	3,903.07		309.02	
d) Other current Assets	J	39.80		2.76	
e) Loans & Advances	K	1,153.29		754.45	
		15,410.42		11,724.46	
Less: Current Liabilities & Provisions					
a) Liabilities	L	8,890.90		6,189.55	
b) Provisions	M	2,227.21		1,686.77	
Net Current Assets			4,292.31		3,848.14
TOTAL			26,032.71		26,830.46
Statement of Significant Accounting Policies	W				
Notes on Accounts	Y				

For and on behalf of the Board of Directors

As per our report of even date

Sd/-

B.K. Das

Managing Director & Director (Finance) in-charge

Sd/-

D. Chakravarty

Director (Technical)

Sd/-

S. L. Agrawal

Partner, M. No. 72184

Sd/-

H.K. Sarmah

Company Secretary

Mumbai

Date : 21st May, 2007

for and on behalf of

Shankarlal Jain and Associates

Chartered Accountants

Mumbai

Date : 21st May, 2007

Profit & Loss Accounts for the year ended 31st March, 2007

	Schedule	31 March 2007 Rs. Million	31 March 2006 Rs. Million
INCOME			
Sale of products(Gross)	N	79,303.22	58,203.67
Less : Excise duty		7,178.65	5,523.25
Sale of products(Net)		72,124.57	52,680.42
Miscellaneous income	O	285.21	190.10
Increase (Decrease) in Inventory	P	(645.08)	938.68
TOTAL		71,764.70	53,809.20
EXPENDITURE			
Purchase of Product of Resale		1,457.92	395.00
Raw materials consumed	Q	57,133.78	42,610.94
Increase (Decrease) in Excise Duty on closing stock		216.17	39.42
Other Duties, taxes etc. and charges		2,040.34	1,575.86
Transportation		1,036.21	1,291.30
Consumption of stores, spares and materials	R	93.13	259.33
Power and Fuel	S	15.10	12.26
Employees remuneration and other benefits	T	485.07	384.26
Interest	U	205.57	347.11
Other operating and administration expenses	V	877.64	770.81
Provision for diminution in value of investment		25.10	—
Depreciation		1,576.16	1,394.62
TOTAL		65,162.19	49,080.91
Profit		6,602.51	4,728.29
Prior period expenses net	W	771.42	(28.05)
Profit before tax		5,831.09	4,756.34
Provision for Taxation			
-Current Tax		650.34	406.30
-Fringe Benefit Tax		13.50	11.91
-Deferred Tax		(520.78)	(151.21)
Profit after tax		5,688.03	4,489.34
Balance brought forward from last year		0.10	0.10
Disposable Profit		5,688.13	4,489.44
Appropriations:			
Proposed dividend		1,839.08	1,397.70
Tax on Distributed Profits		312.55	196.03
		2,151.63	1,593.73
Transfer to General Reserve		3,536.40	2,895.61
Balance Carried to Balance Sheet		0.10	0.10
Earning per Share		7.73	6.10

For and on behalf of the Board of Directors

As per our report of even date

Sd/-

B.K. Das

Managing Director & Director (Finance) in-charge

Sd/-

D. Chakravarty

Director (Technical)

Sd/-

S. L. Agrawal

Partner, M. No. 72184

Sd/-

H.K. Sarmah

Company Secretary

Mumbai

Date : 21st May, 2007

for and on behalf of

Shankarlal Jain and Associates

Chartered Accountants

Mumbai

Date : 21st May, 2007

Schedule 'A' - Share Capital

	March 2007 Rs. Million	March 2006 Rs. Million
Authorised		
100,00,00,000 Equity Shares of Rs.10 each	<u>10,000.00</u>	<u>10,000.00</u>
	<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)*	<u>7,356.32</u>	<u>7,356.32</u>
Total	<u><u>7,356.32</u></u>	<u><u>7,356.32</u></u>

* Includes 463188856 (463188856) fully paid equity shares of Rs.10/- each held by the Holding company - Bharat Petroleum Corporation Limited

Schedule 'B' - Reserves & Surplus

	March 2007 Rs. Million	March 2006 Rs. Million
Capital Reserve		
(Subsidy Received from Govt. of India)		
As per last Balance Sheet	<u>1,000.00</u>	<u>1,000.00</u>
General Reserve		
Balance brought forward from Previous Year	<u>8,556.86</u>	<u>5,661.25</u>
Transfer from Profit & Loss Account	<u>3,536.40</u>	<u>2,895.61</u>
	<u>12,093.26</u>	<u>8,556.86</u>
Surplus as per Profit & Loss Account	<u>0.10</u>	<u>0.10</u>
Total	<u><u>13,093.36</u></u>	<u><u>9,556.96</u></u>

Schedule 'C' - Loan Funds

	March 2007 Rs. Million	March 2006 Rs. Million
Secured Loans		
Banks		
<i>Term Loans</i>	750.00	3,075.00
Interest accrued & due	1.98	16.70
(Secured in favour of participating banks ranking pari-passu inter alia by hypothecation of Plant & Machinery, Office equipments, Electrical [Due for repayment within one year Rs 750.00 million, (Previous year : Rs. 1800.00 Million)]	—	—
Working Capital Loans/Cash Credit	358.24	1,631.89
(Secured by Hypothecation on Current Assets i.e. stock of raw material, finished goods, semi-finished goods and book debts)		
Sub Total (a)	1,110.22	4,723.59
Unsecured Loans		
Term Loan		
Oil Industry Development Board	1,038.30	1,238.30
[Due for repayment within one year Rs. 279.79 Million (Previous year : Rs 200.00 Million)]		
Sub Total (b)	1,038.30	1,238.30
Total (a) + (b)	2,148.52	5,961.89

Schedule - D - Fixed Assets

(Rs. Million)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01-04-06	Additions	Deductions on account of Retirement/Reclassifications	As at 31-03-07	As at 01-04-06	For the year	Deductions on account of Retirement/Reclassifications	Upto 31-03-07	As at 31-03-07	As at 31-03-06
	(1)	(2)	(3)	(4)= (1+2-3)	(5)	(6)	(7)	(8)= (5+6-7)	(9)= (4-8)	(10)= (1)-(5)
Land										
Freehold	171.56	35.32	—	206.88	—	—	—	—	206.88	171.56
Buildings	2,666.03	509.91	1.90	3,174.04	244.17	64.31	—	308.48	2,865.56	2,421.86
Railway Sidings	305.74	—	—	305.74	79.75	14.52	—	94.27	211.47	225.99
Plant & Machinery	21,001.52	2,476.35	0.35	23,477.52	6,266.60	1,257.58	—	7,524.18	15,953.34	14,734.92
Tanks & Pipelines	1,800.59	90.73	-	1,891.32	469.93	981.02	-	1,450.95	440.37	1,330.66
Dispensing Tanks & Pipelines	85.85	31.77	0.10	117.52	1.34	4.58	-	5.92	111.60	84.51
Sundries Equipment	429.61	184.34	140.39	473.56	165.70	65.09	0.85	229.94	243.62	263.91
Furniture & Fittings	49.03	1.92	0.73	50.22	28.83	2.56	0.27	31.12	19.10	20.20
Vehicle	160.02	1.27	0.76	160.53	117.19	18.21	0.13	135.27	25.26	42.83
Grand Total	26,669.95	3,331.61	144.23	29,857.33	7,373.51	2,407.87	1.25	9,780.13	20,077.20	19,296.44
Previous year	26,320.23	364.39	14.67	26669.95	6005.17	1375.81	7.47	7,373.51	19,296.44	20,315.06

- Freehold Land includes Rs. 24.16 Million (Rs. 24.16 Million) in respect of 357.95 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. Free hold land includes 1.36 acres of disputed land. Cost of land includes Rs. 35.28 million towards land settlement as per Honb'le Supreme Court Order.
- Plant & Machinery includes Rs. 54.49 Million (Rs. 52.15 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. 0.29 Million (Rs. 0.01 Million).
- Deduction from Gross Block (Column 3) includes :
 - Rs. 0.10 million (Rs. 12.84 Million) on account of Write off of Physical Verification discrepancies.
 - Rs. 144.13 Million (Rs. 1.82 Million) on account retirement, deletions and reclassifications.
- Depreciation for the year (column 6) includes :
 - Charged to Profit & Loss Account Rs. 1576.16 Million (Rs. 1394.62 Million)
 - Charged to previous year expenses Rs. 831.48 Million (Rs. -18.81 Million)
 - Charged to project expenses Rs. 0.23 Million (Rs Nil Million)
- Deduction from Depreciation (Column 7) includes :
 - Rs. 0.06 million (Rs. 6.57 Million) on account of Write off of Physical Verification discrepancies.
 - withdrawal of depreciation of Rs. 1.19 Million (Rs. 0.90 Million) on account deletions & retirement.
- Addition to the Gross Block (Column 2) includes:
 - Rs. 50.11 Million on account of CENVAT Credit adjustment
 - Rs. 138.83 million on account of Reclassification of Assets
- Plant and Machinery Gross Block includes first time charge of catalyst.

Schedule - D 1 - Intangible Assets

(Rs. Million)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01-04-06	Additions	Disposal/ Adjust- ment	As at 31-03-07	As at 01-04-06	For the year	Disposal/ Adjust- ment	Upto 31-03-07	As at 31-03-07	As at 31-03-06
SAP Imple- mentation cost	80.51	2.83	0.00	83.34	10.72	16.55	—	27.27	56.07	69.79
CCU Know how cost	3.41	—	3.41	—	1.02	0.68	1.70	0.00	0.00	2.39
License Fe for MS Project	—	15.11	—	15.11	—	2.27	—	2.27	12.84	0.00
Grand Total	83.92	17.94	3.41	98.45	11.74	19.50	1.70	29.53	68.92	72.18

Schedule 'E' - Capital Work-in-Progress

	March 2007 Rs. Million	March 2006 Rs. Million
Capital work-in-progress (at Cost)		
Work-in-progress	724.64	1,932.77
Capital Advances (Unsecured, Considered good)	81.02	373.49
Capital Stores (including lying with contractors)	122.43	484.90
Capital goods in transit	8.62	—
Construction period expenses		
Opening balance	179.45	75.03
Add : Expenditure during the year		
Establishment charges	5.41	35.26
Depreciation	0.23	—
Interest	37.48	62.96
Electricity	3.69	—
Rates & Taxes	1.15	—
Others (including miscellaneous stores)	16.39	12.05
	243.80	185.30
Less : Allocated to assets during the year	204.22	5.85
Balance pending allocation at the end of the year	39.58	179.45
Total	976.29	2,970.61

Schedule 'F' - Investment

	March 2007 Rs. Million	March 2006 Rs. Million
Non Trade 'Long Term'		
Investment in 7% Oil Companies GOI Special Bonds	643.09	643.09
Less: Provision for Diminution value in Investment	(25.10)	—
Total	617.99	643.09

Includes investment of Rs. 1250/- in joint venture with Assam Gas Company Limited being preliminary expenses incurred in formation of DNP Ltd., proposed company

Schedule 'G' - Inventories

(As taken, valued and certified by the Management and valued as per accounting policy no. 8)

	March 2007 Rs. Million	March 2006 Rs. Million
Stores and spares	857.89	721.38
Less: Provision for unusable materials	(435.08)	(293.77)
Stores and spares in Transit	51.05	60.70
Raw materials	1,838.75	949.73
Stock in process	879.54	790.21
Finished products	5,018.27	5,752.68
Total	8,210.42	7,980.93

Schedule 'H' - Sundry Debtors

(Unsecured, Considered good unless otherwise stated)

	March 2007 Rs. Million	March 2006 Rs. Million
Debts outstanding for over six months :	6.49	2.89
Other debts	2097.35	2674.41
Total	2103.84	2677.30

Schedule 'I' - Cash and Bank Balances

	March 2007 Rs. Million	March 2006 Rs. Million
Cash on Hand	0.17	0.19
With Scheduled banks :		
In Term deposit accounts	3,850.00	300.00
In current accounts	52.90	8.83
Total	3903.07	309.02

Schedule 'J' - Other Current Assets

	March 2007 Rs. Million	March 2006 Rs. Million
Interest accrued on Investments	2.65	2.65
Interest accrued on Fixed Deposits	37.01	0.11
Interest accrued on other loans	0.14	—
Total	39.80	2.76

Schedule 'K' - Loans and Advances

(Unsecured, Considered good unless otherwise stated)

	March 2007 Rs. Million	March 2006 Rs. Million
Advances:		
Advances recoverable in cash, or in kind or for value to be received	138.49	16.89
Loans (Secured) :		
To Employees*	206.16	177.98
(including interest accrued and due thereon, CY-Rs 21.95 million, PY- Rs 16.91 million)		
Claims :		
Considered good	100.73	111.06
Considered doubtful	28.50	18.19
	129.23	129.25
Less: Provn. for doubtful Claim	28.50	18.19
	100.73	111.06
Tax paid		
Advance Tax paid (Net of Provision for tax)	297.95	—
Deposits :		
Excise*	329.61	402.24
Others	80.35	46.28
Total	1,153.29	754.45

* Includes :

Due from Officers : Rs. 140.67 Million (Rs. 132.89 Million)

Maximum balances : Rs. 140.67 Million (Rs. 138.76 Million)

Due from Directors : Rs. 0.67 Million (Rs. 0.75 Million)

Maximum balances : Rs. 1.08 Million (Rs. 1.55 Million)

* Deposit with Excise includes Rs. 209.70 million regarding Cenvat credit on capital goods withheld by excise department for utilisation and under litigation and service tax deposit under protest Rs. 3.16 million

Schedule 'L' - Liabilities

			March 2007 Rs. Million	March 2006 Rs. Million
Current Liabilities :				
Sundry creditors	31-03-2007	31-03-2006		
Total outstanding dues to SSI's	0.43	—		
Total outstanding dues to creditors other than SSI's	7,009.36	4,970.14	7,009.79	4,970.14
Advances from Customers			8.33	9.90
Other liabilities			1,855.95	1,197.65
Bank Account - Book Overdraft			14.04	11.86
Interest Accrued but not due on Loans			2.79	—
Total			8,890.90	6,189.55

Schedule 'M' - Provisions

			March 2007 Rs. Million	March 2006 Rs. Million
Provision for Taxation			—	27.48
Proposed dividend			1,839.08	1,397.70
Tax on Distributed Profits			312.55	196.03
Provision for retirement benefits			75.58	65.56
Total			2,227.21	1,686.77

Schedule 'N' - Sale of Products

			March 2007 Rs. Million	March 2006 Rs. Million
Sales (Net of Discount and inclusive of NE adjustment & sales tax recovery)			79,174.46	58,052.85
Net Recovery from/(payment to) Industry Pool Account			—	43.51
Terminal Charges from OMCs			128.76	107.31
Total			79,303.22	58,203.67

Schedule 'O' - Miscellaneous Income

	March 2007 Rs. Million	March 2006 Rs. Million
Interest on bank deposits and others		
Bank Deposits	81.95	6.06
Others	7.19	
Income from Investment		
Short Term	15.72	0.00
(includes CY TDS Rs 14.60 million, PY Rs Nil)		
Long Term		
Interest on Investment	45.02	25.16
(7% GOI Oil Bond)		
Other income	135.33	158.75
Exchange Fluctuations Gain (net)	—	0.13
Total	<u>285.21</u>	<u>190.10</u>

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

	31-03-2007	31-03-2006	March 2007 Rs. Million	March 2006 Rs. Million
Value of closing stock of				
Finished goods	5,018.27	5,752.68		
Stock in process	<u>879.54</u>	<u>790.21</u>	5,897.81	6,542.89
Less :				
Value of opening stock of				
Finished goods	5,752.68	4,625.72		
Stock in process	<u>790.21</u>	<u>978.49</u>	6,542.89	5,604.21
Total			<u>(645.08)</u>	<u>938.68</u>

Schedule 'Q' - Raw Materials Consumed

	March 2007 Rs. Million	March 2006 Rs. Million
Opening Stock	949.73	887.88
Add : Purchases	58,022.80	42,672.79
	58,972.53	43,560.67
Less : Closing Stock	1838.75	949.73
Raw Material Consumed	57,133.78	42,610.94

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

	March 2007 Rs. Million	March 2006 Rs. Million
Stores, spares and materials	244.91	312.95
Less : Charged to other revenue accounts	151.78	53.62
Total	93.13	259.33

Schedule 'S' - Power and Fuel

	March 2007 Rs. Million	March 2006 Rs. Million
Power and Fuel	1,968.42	2,086.27
Less : Consumption of fuel out of own production	(1,953.32)	(2,074.01)
Total	15.10	12.26

Schedule 'T' - Employees' Remuneration and Other Benefits

	March 2007 Rs. Million	March 2006 Rs. Million
Salaries and wages	345.21	291.67
Contribution to provident fund and other funds	26.51	22.87
Contribution to gratuity fund	3.11	2.70
Welfare expenses	110.24	67.02
Total	485.07	384.26

Schedule 'U' - Interest

	March 2007 Rs. Million	March 2006 Rs. Million
On Fixed Loans	156.79	209.98
On Working Capital	44.66	136.13
On Delayed Payments	4.12	1.00
Total	205.57	347.11

Schedule 'V' - Other Operating and Administration Expenses

	March 2007 Rs. Million	March 2006 Rs. Million
Repairs and maintenance :		
Machinery	166.19	136.49
Building	1.45	9.46
Others	142.43	212.27
	<u>310.07</u>	<u>358.22</u>
Insurance	41.71	68.63
Rent	27.63	15.24
Rates and taxes	4.44	—
Charity & donation	32.91	14.95
Remuneration to Auditors	0.20	0.26
Utilities	3.27	3.81
Facility hire charges	35.43	46.85
Travelling and conveyance	81.05	66.25
Telephone, Telex, Cables, Postage etc.	8.41	7.69
Loss on sale / write off of Fixed Assets (net)	2.80	6.59
Provision for Stores, Consumables & Others	161.73	51.95
Exchange Fluctuation Loss (Net)	4.59	—
Other expenses	142.19	118.97
Amortisation of Intangible Asset	21.21	11.40
Total	<u>877.64</u>	<u>770.81</u>

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

	March 2007 Rs. Million	March 2006 Rs. Million
Sale of Products	0.88	—
Purchase for Resale	(4.85)	—
Raw Materials Consumed	22.81	—
Consumption of Stores	—	3.86
Other operating and administration expenses	(78.90)	(13.10)
Depreciation	831.48	(18.81)
Total	<u>771.42</u>	<u>(28.05)</u>

Schedule X: 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 capitalized. Replacement of such spares is charged to Profit and Loss Account.
- 3.4 Construction period expenses exclusively attributable to projects are capitalized. Indirect expenses of the project group is allocated to capital facilities costing Rs. 50 million & above.

3.5 Intangible Assets

Expenditure incurred for creating / acquiring intangible assets of Rs. 5 million and above from which future economic benefit will flow over a period of time, is amortized over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts deriving the economic benefit. Other intangible assets are charged to profit & loss account.

4. Impairment of 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.

5. Borrowing Costs

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalized as part of the cost of the asset, till the month in which the asset is ready for use. Other borrowing costs are recognized as expense in the period in which these are incurred.

6. Depreciation

- 6.1 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.

- 6.2 Individual assets costing up to Rs. 5000/- are depreciated fully in the year purchase.
- 6.3 Depreciation on assets not owned by the Company is amortized over a period of five years from the year of capitalization.
- 6.4 Computer equipments & peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of the Management staff is depreciated over a period of seven years.

7. Investment

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

8. Valuation of Inventories

8.1 Raw Material & Intermediate

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

- 8.1.1 Crude Oil on weighted average cost.
- 8.1.2 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.

8.2 Finished Product:

Finished Products are valued at weighted average cost or at net realisable value inclusive of North East excise duty benefit, whichever is lower.

8.3 Stores and spares

Stores and spares are valued at weighted average cost. Slow moving, obsolete items and project materials identified as surplus are valued at Rs. Nil.

9. Cenvat

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

10. 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.

- 11. Sales are net of trade discounts and include, inter alia, North East excise duty benefit, excise duties/claims from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

12. Classification of Income / Expenditure

- 12.1 Income and expenditure up to Rs. 0.50 million in each case pertaining to prior years is charged to the current year.

12.2 Prepaid expenses up to Rs.0.01 million in each case, are charged to the revenue as and when incurred.

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

12.4 Sale of scrap is accounted for on realisation basis.

13. Retirement Benefits

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

13.2 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.

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

14. 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.

15. Foreign Exchange Variation

15.1 Transaction in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

15.2 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.

16. Government Grant

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

17. Provisions, Contingent Liabilities and Capital Commitments

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

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

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

18. Taxes on Income

18.1 Provision for current tax including the fringe benefit tax is made in accordance with the provisions of the Income Tax Act, 1961.

18.2 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.

Schedule Y: 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 (being the 7th year) 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.520.78) million [previous year (Rs.151.21) million]. The year end position of deferred Tax Liability and Asset is given below:

	Rs. in Million	
	2006-07	2005-06
a) DEFERRED TAX LIABILITY		
Difference of Book Depreciation & Tax Depreciation	3,456.84	3,964.26
b) DEFERRED TAX ASSETS		
Difference in write offs under Companies Act and		
Income Tax Act	2.88	2.85
Provision for Doubtful Claims	10.92	6.12
Provision for Investments	8.53	—
Total	22.33	8.97
NET DEFERRED TAX LIABILITY	3,434.51	3,955.29

- c) MAT Credit has not been recognized due to uncertainty of recovery of the same.
- 4) Provision for taxation in the Profit and Loss Account includes Rs 1.54 million towards wealth tax (previous year Rs.1.08 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). As such there is no other reportable segment as defined by the Accounting Standard-17- Segment Reporting issued by the Institute of Chartered Accountants of India.
- 7) Recovery made from Whole time Directors during the year for use of Company's car is Rs.0.01 million (Previous year Rs.0.01 million).

- 8) Purchase of crude oil from ONGC and Oil India Limited has been accounted for provisionally pending finalization of agreements with respective parties. Adjustments if any, will be made on finalization of agreements. However, an amount of Rs 1544.73 million has been provided for during the current year towards transportation cost and sales tax reimbursement applicable for crude oil purchases from Oil India Limited for the year 2006-07 as per directive from MOP&NG.
- 9) 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 and other incidentals thereof was to be shared by all four refineries as per the directive of MOP&NG. The company's share of the transportation cost and other incidentals thereof has been included in crude price and also considered for valuation of stock.

Based on the revised billing by BRPL on account of sharing of Ravva crude transportation cost and other incidentals thereof for the financial years 2003-04, 2004-05 & 2005-06, credit amounting to Rs.908.64 million has been taken in the accounts for the year and adjusted in the crude consumption.

- 10) 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.
- 11) 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 out standings or classification in the accounts.
- 12) In accordance with the disclosure requirements of AS-26, details of intangible asset of the company as on 31-03-2007 have been furnished below :

(Rs. in Million)

Other intangible Assets	Gross Amount		Amortisation Amount		Net Amount	
	01.04.06	31.03.07	01.04.06	31.03.07	01.04.06	31.03.07
1) SAP implementation Costs	80.51	83.34	10.72	27.27	69.79	56.07
2) Process License (Axens)	—	15.11	—	2.27	—	12.84

- 13) Pursuant to change in the accounting policy, Intangible Assets up to a value of Rs.5 million has been charged off to P&L account thereby reducing the profit for the year by Rs.1.70 million.
- 14) An amount of Rs.2039.82 millions (Previous year Rs.1425.90 millions) has been charged to Profit & Loss Account towards under recovery of CST on petroleum products moved out of the state of Assam.
- 15) As per guidelines issued by ICAI under AS-26 "Impairment of Assets", the company has assessed

the recoverable amount of the relevant assets and found that no impairment exists in relation to its assets as on 31st March'2007.

- 16) i) The Company has changed the method of valuation of crude oil from FIFO to "Weighted Average" during the current financial year. This has resulted in decrease in inventory and profit by Rs.12.26 million.
- ii) The Company has changed the method of valuation of Finished Goods from FIFO to "Weighted Average" during the current financial year. This has resulted in increase in inventory and profit by Rs.188.51 million.
- iii) Further, due to consideration of North East Excise relief as part of net realizable value this year, the finished stock inventory and profit for the year has increased by Rs.78.24 million.
- 17) Consequent to change in the method of valuation of surplus materials including project surplus materials full provision has been made and thereby profit has decreased by Rs 133.51 million.
- 18) During the year 2006-07, based on the Management's review of the estimated useful lives of certain assets such as computer equipments and peripherals, mobile phones, furniture provided at the residence of management staff ,etc.the company has increased the rate of depreciation on these assets. This has resulted in additional depreciation of Rs. 2.48 million during the year out of which Rs 2.00 million is for the period up to March 2006.
- 19) i) Rentals are expensed with reference to lease terms and other considerations. Moreover, rentals pertaining to the period up to the date of commissioning of the assets are capitalized.
- ii) The company has taken operating lease of product tanks from Bharat Petroleum Corporation Limited for eleven month's duration with renewable option and lease rent amounting to Rs.18.71 million (previous years.42.91 million) has been debited to Profit and Loss Account. The future minimum lease payment is as under:

(Rs.in million)

	2006-07	2005-06
Not later than one year	29.71	52.82
Later than one year and not later than five years	43.98	39.62
Later than five years	274.86	247.64

- 20) Earning per share (Face value Rupees 10/- each)

Profit after tax (Rs.in million)	5,688.03	4,489.34
Average number of equity shares	735,631,544	735,631,544
Basic and Diluted Earning per share (Rupees)	7.73	6.10

- 21) Previous year's comparative figures have been regrouped wherever necessary.

22. Capital Commitments and Contingent Liabilities

	31.3.2007 Rs. in Million	31.3.2006 Rs. in Million
I. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	2,190.01	979.78
II. Contingent Liabilities		
(a) In respect of taxation matters of prior years		
i) Excise Duty Matters	1,345.82	1,530.79
ii) Sales Tax Matters	34.33	0.00
iii) Income Tax Matters	2.33	0.00
iv) Liability if any, on pending assessments of Central/ State sales tax is unascertainable including 'C' forms pending for collection		
(b) Other Matters :		
Claims against the Company not acknowledged as debts :		
i) Claim by contractors		
Arbitration cases/other extra claims on capital account	1,543.09	1,270.50
ii) Land matters	0.00	169.46
iii) In respect of letter of credit	191.53	9.73
iv) Others	88.74	9.45

23. Managerial Remuneration

Salary and allowances	4.68	2.38
Contributions to Provident Fund and other funds	0.32	0.21
Other benefits	1.56	1.31
	<u>6.56</u>	<u>3.90</u>

24. Remuneration to Auditors

(a) Audit fees	0.08	0.08
(b) Fees for other services-certification	0.05	0.06
(c) Reimbursement of out of pocket expenses	0.07	0.06
	<u>0.20</u>	<u>0.20</u>

25 Remuneration to Cost Auditors :

(a) Audit fees	0.05	NIL
(b) Fees for other services-certification.	NIL	NIL
(c) Reimbursement of out of pocket expenses	0.01	NIL

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

			(2006-2007)
			Quantity (MT)
	Licensed Capacity	Installed Capacity	Actual Production
(i) Crude throughput	NA	3,000,000	2,503,848
	NA	(3,000,000)	(2,132,636)
(ii) Production			
Light distillates	—	—	333,627
	—	—	(276,032)
Middle distillates	—	—	1,829,069
	—	—	(1,578,114)
Others	—	—	104,963
	—	—	(103,710)

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

27. Raw materials consumed

		(2006-2007)
	Quantity MT	Value Rs. in Million
Crude Oil	2,503,848	55,433.80
	(2,132,636)	(41,164.86)
Others	40,924	1,699.98
	(38,980)	(1,446.08)
Total	<u>2,544,772</u>	<u>57,133.78</u>
	<u>(2,171,616)</u>	<u>(42,610.94)</u>

28. Finished goods sold and stocked

(2006-2007)

Petroleum Products	Opening Stock		Production	Sales		Closing Stock	
	(MT)	(Rs./ Million)	(MT)	(MT)	(Rs./ Million)	(MT)	(Rs./ Million)
Light Distillates							
LPG	863	22	53,993	54,447	1,457	409	9
Naphtha **	46,609	1,141	71,481	75,952	2,391	42,138	1,109
MS *	4,294	153	208,153	181,554	8,534	30,893	1,226
Sub Total	51,766	1,317	333,627	311,953	12,381	73,440	2,344
Previous Year	(57,990)	(1,064)	(276,032)	(282,256)	(9,164)	(51,766)	(1,317)
Middle Distillates							
ATF	4,219	132	83,509	83,664	2,882	4,064	124
SKO	13,578	320	245,024	249,934	7,084	8,668	205
HSD ***	124,423	3,754	1,500,536	1,564,416	54,631	60,543	1,985
Sub Total	142,221	4,206	1,829,069	1,898,015	64,597	73,275	2,314
Previous Year	(146,760)	(3,494)	(1,578,114)	(1,582,653)	(47,787)	(142,221)	(4,206)
Others							
RPC	17,727	158	60,267	44,783	408	33,211	285
Sulphur	379	0.4	3,843	4,172	7	50	0.1
CPC	5,618	71	40,852	40,109	527	6,362	74
Sub Total	23,725	229	104,963	89,064	942	39,623	360
Previous Year	(7,011)	(68)	(103,710)	(86,996)	(795)	(23,725)	(229)
Grand Total	217,713	5,752	2,267,659	2,299,032	77,921	186,339	5,018
Grand Total							
-Previous year	(211,761)	(4,626)	(1,957,856)	(1,951,904)	(57,746)	(217,712)	(5,752)

* MS production includes blending of Naphtha - 57612 MT (51349 MT) with MTBE & Py Gas - 40924MT (38980 MT)

* Closing stock of MS includes 3144.80 MT (1700.98 MT) lying at depot.

** Closing stock of HSD includes 13687.09 MT (46126.54 MT) lying at depot and in transit.

*** Naphtha sale includes stock gain of 8.47 MT (Loss - 459.12 MT)

**** HSD and MS sales include 1815.48 MT (1543.72 MT) and 271.28 MT (160.21 MT), respectively on account of stock/transit loss

***** HSD sales includes 127.47 MT on account of internal consumption at silghat for barge Movement

29) Finished Goods Purchased and Sold

(2006-07)

Particulars	HSD		MS	
	QTY (MT)	(Rs. in millions)	QTY (MT)	(Rs. in millions)
Purchase	33,752	1,321.71	2,342	136.21
	(11,349)	(385.97)	(156)	(9.02)
Sales	33,752	1,241.94	2,342	140.71
	(11,349)	(404.51)	(156)	(9.26)

30. Value of imports calculated on C.I.F. basis

	2006-07 Rs. in Million	2005-06 Rs. in Million
(a) Raw Materials	436.94	403.16
(b) Capital goods	107.18	321.64
(c) Components and spare parts (including chemicals and catalysts)	231.87	144.24

31. Expenditure in foreign currency (on cash basis)

(a) Purchase of products	530.71	810.17
(b) Know-how	0.09	29.43
(c) Professional Consultancy Fees	39.62	—
(d) Other matters		
i) Travelling	1.29	1.94
ii) Others	0.30	0.29

32. 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	55,433.80	100.00	55,433.80
	(Nil)	(Nil)	(41,164.86)	(100.00)	(41,164.86)
Others	627.03	36.88	1,072.96	63.12	1,699.98
	(598.29)	(41.51)	(842.99)	(58.49)	(1,441.29)
Stores/Spare parts and Components (including chemicals & catalysts)	27.59	29.62	65.55	70.38	93.13
	(202.65)	(78.14)	(56.68)	(21.86)	(259.33)

33. Earnings in foreign exchange

2006-07 Rs. in Million	2005-06 Rs. in Million
NIL	NIL

34. Research and Development

	2006-07 Rs. in Million	2005-06 Rs. in Million
(a) Revenue expenditure	NIL	NIL
(b) Capital expenditure	NIL	NIL

35. 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 2007**
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
37,150.82	37,150.82

Sources of Funds :

(Excluding deferred tax liability)

Paid-up Capital	Reserves & Surplus
7,356.32	13,093.36
Secured Loans	Unsecured Loans
1,110.22	1,038.30

Application of Funds :

Net Fixed Assets	Investments
21,122.41 *	617.99
Net Current Assets	Misc. Expenditure/(Intangible Assets)
4,292.31	NIL
Accumulated losses	
NIL	

* Includes Capital work-in-progress & Intangible Assets

IV. Performance of Company (Rs. Million)

Turnover	Total Expenditure
79,588.43*	73,757.34
Profit/Loss Before Tax	Profit/Loss After Tax
5,831.09	5,688.03
Earning per Share in Rs.	Dividend rate %
7.73	25.00%

* 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 & Director (Finance) in-charge

Sd/-
D. Chakravarty
Director (Technical)

Sd/-
S. L. Agrawal
Partner, M. No. 72184

Sd/-
H.K. Sarmah
Company Secretary
Mumbai
Date : 21st May, 2007

for and on behalf of
Shankarlal Jain and Associates
Chartered Accountants
Mumbai
Date : 21st May, 2007

Cash flow statement for the year ended 31st March 2007

	Notes	2006-07	(Rs.in Million) 2005-06
A Cash Flow from Operating Activities			
Net Profit Before tax & prior period items		6,602.51	4,728.29
<i>Adjustments for :</i>			
Depreciation		1,576.16	1,394.62
Interest expenditure		156.79	209.98
(Profit) / Loss on Sale/Write Off of fixed assets(net)		2.80	6.59
Income from Investments		(142.69)	(25.16)
Dividend Received		—	—
Interest Income		(7.19)	(6.06)
Other Non-Cash items	Note 4	200.74	36.19
Operating Profit before Working Capital Changes		8,389.12	6,344.45
<i>Invested in:</i>			
Trade receivables		573.46	(922.18)
Other receivables		(148.24)	999.41
Inventories		(391.22)	(857.00)
Current Liabilities & Provisions		2,711.39	(376.32)
Cash generated from Operations		11,134.51	5,188.36
Income Taxes paid (net of Refund)		(989.27)	(366.59)
Cash flow before Prior Period Items		10,145.24	4,821.77
Prior Period Items		(771.42)	28.05
Net Cash from Operating Activities		9,373.82	4,849.82
B Cash Flows from Investing Activities			
Purchase of fixed assets		(1,179.72)	(1,826.25)
Purchase of intangible assets		(17.94)	(80.51)
Adjustments on account of retirement/reclassifications of fixed assets including adjustment for CENVAT credit		831.48	(18.81)
Intangible Assets written off in the Balance Sheet		21.20	11.40
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		142.69	25.16
Dividend Received		—	—
Interest Received		7.19	6.06
Net Cash from Investing Activities		(195.10)	(2,525.44)

C Cash Flows from Financing Activities

Issue of Equity Share Capital	—	—
Accretion to Reserves on account of amalgamation		—
Long term Borrowings	—	4,500.00
Repayment of Long-term loans/borrowings	(2,525.00)	(4,636.56)
Net Increase/Decrease(-) in other borrowings	(1,273.65)	(209.99)
Interest paid	(192.29)	(256.24)
Dividend Paid	(1,397.70)	(1,250.57)
Corporate Dividend Tax	(196.03)	(175.39)
Net Cash used in Financing Activities	(5,584.67)	(2,028.75)

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

3,594.05	295.63
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E Cash & Cash Equivalents at beginning of Period

Note 1	309.02	13.39
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F Cash & Cash Equivalents at end of Period (D+E)

Note 1	3,903.07	309.02
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Notes to the Cash Flow Equivalents

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 :

	For the FY 2006-07	For the FY 2005-06
Cash and Cash equivalents as at 31st March'07/31st March'06		
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	—
	309.02	13.39
 Cash/cheques in Hand	0.17	0.19
Cash at Bank	52.90	8.83
Remittance in transit	—	—
Fixed Deposits with Banks	3,850.00	300.00
 Cash and Cash Equivalents as restated	3,903.07	309.02
Net change in Cash and Cash equivalents	3,594.05	295.63



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 provision for Investments and write back of Provisions.

For and on behalf of Board of Directors

Sd/-

B.K. Das

Mumbai

Date : 21st May 2007

Managing Director & Director (Finance) In-charge

We have audited the above Cash Flow Statement of Numaligarh Refinery Limited for the year ended on 31st March, 2007 prepared by the Company and certify that the Statement has been derived from the Accounts of the Company audited by us.

Sd/-

S. L. Agrawal

Partner

M.No.72184

Mumbai

Date : 21st May 2007

Shankarlal Jain and Associates

Chartered Accountants

Human Resource Accounting : 2006-07

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	62	145	46	19	272
Workmen	11	291	52	2	256
Sub Total	73	436	98	21	628
Others					
Executives	2	25	23	11	61
Workmen	1	23	5	0	29
Sub Total	3	48	28	11	90
Grand Total	76	484	126	32	718
Average age 37 yrs.					

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

- Continuity of present pattern of employee compensation, both direct and indirect.
- Continuity in career growth as per present policy of the Company.
- Discount factor @ 5% p.a.

Value of Human Resources

	2006-07	2005-06	2004-05	Rs Million 2003-04
Executives	5,893.44	5,787.64	4,563.15	4,624.92
Staff	3,893.90	4,926.73	4,496.06	4,307.41
	9,787.34	10,714.37	9,059.21	8,932.33

Human Assets vis-à-vis Total Assets

Value of Human Assets	9,787.34	10,714.37	9,059.21	8,932.33
Net Fixed Assets	21,053.49	22,267.05	21,760.96	21,788.23
Net Current Assets	4,292.31	3,848.14	2,651.88	4,308.07
	35,133.14	36,829.56	33,472.05	35,028.63

Profit before tax	5,831.09	4,756.34	5,571.30	3,772.33
Value Added	9,029.82	7,660.69	8,428.95	7,165.59

Ratio of

Profit(before tax) to Human Resources	60%	44%	61%	42%
Value Added to Human Resources	92%	71%	93%	80%
Human Resources to Total Resources	28%	29%	27%	26%

Social Accounts 2006-07

		(Rs in Million)		
I. SOCIAL BENEFITS AND COSTS TO EMPLOYEES		2006-07	2005-06	2004-05
a) Social Benefits to Employees				
1 Welfare facilities-Canteen & Club	8.87	22.50	12.14	
2 Ex-gratia/Awards	72.21	24.52	25.50	
3 Medical facilities	48.30	35.33	37.60	
4 Retirement Benefits	3.58	3.13	7.78	
5 Interest Concessions	6.71	6.69	6.50	
6 Training and career development	10.60	4.87	3.73	
7 Clothing and Uniform	18.85	4.59	7.67	
8 Holiday Benefits	28.45	11.13	30.98	
9 Transport Facilities	18.17	13.26	13.46	
10 Insurance	6.25	3.68	2.48	
11 Educational Facilities	2.97	1.01	0.67	
12 Township Costs	24.99	23.05	21.80	
13 Power Service at Township	36.09	27.69	20.16	
14 Others	70.04	59.94	33.22	
Total (a)	356.07	241.41	223.70	
b) Social Cost to Employees				
Extra hours put in by Officers/Workmen	2.22	3.27	2.06	
Total (b)	2.22	3.27	2.06	
Net Social Income to Employees (a+b)	353.85	238.14	221.64	
II. SOCIAL BENEFITS TO COMMUNITY				
Local Taxes	4.44	4.58	1.72	
Environment Improvements	2.85	1.25	8.15	
Expenditure on Project-Education	10.86	4.56	3.88	
- Agriculture & allied	3.19	1.37	0.59	
- Infrastructure	11.84	2.36	3.85	
- Medical	2.01	1.00	0.93	
- Sports & Culture	2.98	2.86	1.21	
Generation of job potential to local people	49.79	45.82	43.06	
Generation of business	2,221.84	2,671.13	2,405.52	
Total Social income to community	2,309.81	2,734.94	2,468.91	

III. SOCIAL COST AND BENEFIT TO THE GENERAL PUBLIC

a) Benefits to the General Public	2006-07	(Rs. in Million)	
		2005-06	2004-05
Taxes paid to State Government	5303.81	5,042.63	2,915.40
Dividend paid to State Government	227.05	172.56	154.40
Taxes and Duties paid to Central Government	8006.53	5,640.53	5,323.10
Total (a)	<u>13,537.40</u>	<u>10,855.71</u>	<u>8,392.90</u>
b) Costs to the General Public			
Purchase of Power	3.27	3.81	6.01
Total (b)	<u>3.27</u>	<u>3.81</u>	<u>6.01</u>
Net Social Income to the Public (a-b)	<u>13,534.13</u>	<u>10,851.91</u>	<u>8,386.89</u>
Net Social Income to Employees, Community and General Public (I+II+III)	<u>16,197.79</u>	<u>13,824.98</u>	<u>11,077.44</u>



