



CHAIRMAN'S LETTER

Dear Shareowners,

*Your Company has transformed into a great organization over the past decades and the year 2017-18 has witnessed several significant milestones for BPCL. It's been a phenomenal year, flavoured with exceptional performance. BPCL has realized its dream of attaining the coveted Maharatna status and was declared a 'Maharatna' in September 2017. Adding to this achievement, BPCL has been conferred with the prestigious 'Star PSU' Award at the Business Standard Annual Awards for Corporate Excellence for 2017. Apart from outstanding financial metrics and competitive advantage, the criteria included scale, sustainability, leadership and innovation. Rightfully then, your Company is now a **Star amongst Maharatnas!***

It is indeed my privilege to be sharing with you the results of the financial year 2017-18. While at a standalone level, there was a marginal reduction of less than 2% in the profit after tax of BPCL (primarily due to reduced inventory gains, increased operating costs on account of pay revision and increased effective tax rate on account of discontinuance of investment allowance), the Group Companies recorded the highest ever profit after tax of ₹ 9,009 crores. The Board of Directors announced a dividend of 210%, the highest amongst the PSU Oil Marketing Companies (OMC).

Concomitantly, the market capitalization of BPCL scaled a peak of ₹ 1.2 lakh crores in October 2017, signifying robust economic fundamentals and strong investor confidence.

On the performance front, your Company has regained the number one position in volume growth amongst OMCs with high growth in all major products. The Integrated Refinery Expansion Project at Kochi Refinery has stabilized and is expected to enhance BPCL's profitability in the coming years. The refineries have taken innovation to a new level, with Mumbai Refinery successfully implementing the production of superior quality hexane as a by-product from the Isomerization Unit.

Performance of the Group Companies has also been impressive. Numaligarh Refinery Limited recorded a profit after tax of ₹ 2,042 crores during 2017-18. Bharat Oman Refineries Limited is now on a growth trajectory, with profit after tax of ₹ 984 crores, which is a phenomenal increase of 22% as compared to last year. I had shared with you last year that BPCL's upstream subsidiary, Bharat PetroResources Ltd. (BPRL) has established itself as a revenue generating company, with assets in all phases of upstream, ranging from exploration to production. During the year, BPRL has made significant strides, by adding a high quality asset in the promising UAE region to its portfolio. Further, integrated development of the 12.88 MMTPA LNG project in Mozambique marks a critical milestone, which positions the consortium as a strategic global LNG supplier.

Petronet CCK Ltd. (PCCKL) was founded in 1998 as a Joint Venture Company with BPCL and Petronet India Ltd. as majority shareholders. Over the years, BPCL has consistently increased its investment in PCCKL and by July 2016, PCCKL had become a wholly owned subsidiary of BPCL. Ministry of Corporate Affairs has passed the Order for merger of PCCKL with BPCL with effect from 1st June 2018, consolidating our infrastructure and enhancing the operations.

BPCL has drawn up ambitious plans to become a significant player in the Gas Business, establishing its footprints across the entire Gas value chain. In the long term it is envisaged that BPCL shall have a focused presence in the downstream Gas business with enhanced effort on ensuring demand security. This shall be fully supported and enabled by a robust mid-stream presence through supply security and a trading function to maximize overall returns and manage risk. In order to successfully deliver on this Gas strategy, BPCL requires to internally restructure the Gas business to ensure agility and dedicated focus with enhanced decision making authorities. With immense pride, I announce the incorporation of Bharat Gas Resources Limited (BGRL) incorporated as BPCL's wholly owned Gas subsidiary on 7th June 2018 with an authorized capital of ₹ 2,000 crores. Formation of BGRL is, indeed, a significant milestone on the journey of BPCL, proving yet again, that the Company will continue to create and surpass unparalleled benchmarks and accelerate into the realm of exceptional performers.

BPCL has also decided to diversify into Petrochemicals in a big way to tap the immense potential in the market. As a strategy, all future expansion plans of BPCL Group refineries are oriented towards production of Petrochemicals, both Commodity and Niche derivatives. I am confident that soon BPCL will be a front-runner in this space to deliver enhanced performance.

With the aim to lead change from the front, BPCL had explored new avenues for enhancing profitability by pursuing initiatives in the domain of beyond fuel. I am delighted to share that our concerted efforts have started to bear fruit. The initiatives, namely Umang on the Rural Market Place, Fleet-genie on Integrated Fleet Management and Happy Roads on Personal Travel Offerings, are forerunners in the beyond fuel business. They have received a very encouraging response from customers and your Company is now in complete readiness to replicate these success stories across the country.

The proliferation of digital technologies has occurred at an unprecedented pace and can have diverse, fast changing and serious implications for our current businesses. While the need to act fast is higher than before, to gain the first mover advantage, the path is more ambiguous than ever. BPCL will embark on a comprehensive digital journey, as befits a pioneer in the adoption of digital technologies in the Indian Oil & Gas sector. Your Company is in the process of exploring a holistic approach to digital technologies, which includes the rapid digitalization of the core business of refineries and marketing units, building new digital businesses adjacent to or radically different from the core, transforming the organization to work in the digitally empowered environment, leveraging data analytics, artificial intelligence and internet of things to create value. While we are at a very nascent stage in this journey, we believe we have taken the first step towards a digitally enabled organization.

The keen focus of your Company on people orientation has also borne fruit. BPCL has relentlessly pursued the best HR practices through the Integrated Career Development Framework and several employee engagement initiatives that have led to a dedicated and energized workforce.

When I visualize the future, I see BPCL amongst the top Global Energy Companies, fully geared to meet the ever-changing dynamics of the business environment. This dream can be made a reality only with the steadfast support, relentless effort and focused contribution of all our stakeholders. I acknowledge and appreciate the faith reposed in the BPCL Management. I would also like to place on record our heartfelt thanks for the support of the business partners and the expert guidance of the Ministry of Petroleum & Natural Gas. I assure you, that together we shall propel your Company to achieve greater summits.

Warm regards,



D. RAJKUMAR
Chairman & Managing Director