



Ref: DGM(F)/ Standard Costing/ 32/01

Date: February 24, 2016

CMA Dibbendu Roy
Joint Director (Professional Development),
Institute of Cost Accountants of India,
CMA Bhawan, 12 Sudder Street,
Kolkata – 700 016.

Dear Sri Roy,

We take this opportunity to convey our gratitude and sincere appreciation to the Institute for an extremely successful National Cost Convention organized by the Institute at Vigyan Bhawan, New Delhi during 30-31 January, 2016.

Kindly recall the discussion we had at the Institute's Office at Kolkata on last 16th of February, 2016, wherein we had discussed on the possibility of getting Institute's assistance so as to formulate a ERP based standard costing system for the products of our company.

A brief about our company and products produced are outlined below:

- ❖ Numaligarh Refinery Limited is a Miniratna PSU having refining capacity of petroleum products of 3 MMTPA and a subsidiary of Bharat Petroleum Corporation Limited. We had since started our commercial production in the year 2000.
- ❖ Our main products are LPG, Naphtha, Motor Spirit (MS), Aviation Turbine Fuel (ATF), Superior Kerosene Oil (SKO), High Speed Diesel (HSD), Raw Petroleum Coke (RPC), Calcined Petroleum Coke (CPC), Sulphur and Paraffin wax.
- ❖ Marketing of the products are done through OMC (Oil Marketing Company) mainly within India. and occasional export of Wax, HSD and MS are also emphasizes on demand basis.
- ❖ Sales to customers other than OMCs are also taken up based on tender participation and cost economics.
- ❖ The refinery configuration is based on state of the art technology with high yield pattern of middle distillates namely HSD, MS, ATF.

It is therefore imperative that instituting a ERP based standard costing system will enormously help the management with a regular performance monitoring & concentrating on production and distribution of products with high margin as well as responding to various customers with a competitive pricing mechanism.

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We would like to further state that the Oil industry in the country and refiners in particular are following the international quoted price as a basis for their pricing mechanism and cost based comparison is not in practice. Therefore the project of implementation of a ERP based costing system as thought of by NRL, may be first of its kind in the country. You will also appreciate that to remain competitive in terms of conversion cost of crude oil into its finished product is one of the factor eventually influences the refining margin per unit and a standard benchmark will necessitate robust costing system in place.

We therefore sincerely request your esteem Institute to expression of interest for implementation of a ERP based standard costing system in a time bound manner. We shall also be thankful for developing a business blueprint for the process involved and ERP resource support required in this connection. Sir, in order to process an approval from our management, we also solicit from you a broad estimates on remuneration/fee and other incidentals for carrying out the above activities. For any further discussion, clarification, kindly let us know.

With warm regards,

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'A. K. Patra', is written over a horizontal line.

(A. K. Patra),
DGM (Finance)

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