Independent Performance Evaluation (IPE) Report

on

Eastern Refinery Limited (ERL)

For 2023-24

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Executive Summary

The Finance Division of the Ministry of Finance is implementing the "Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS)." One of the key components of this program is the "Strengthening of State-owned Enterprises' Governance" scheme, which aims to strengthen the governance of State-owned Enterprises (SOEs) and Autonomous Bodies (ABs). To achieve this, the Finance Division has developed and approved an Independent Performance Evaluation Guideline (IPEG) for SOEs and ABs to evaluate their performance independently. Based on selection parameters of IPEG, Monitoring Cell, Finance Division has selected 10 (ten) more SOEs and ABs in addition to previously selected 20 (twenty) SOEs/ABs in total 30 (thirty) SOEs/ABs to conduct Independent Performance Evaluation for the FY 2023-24.

Eastern Refinery Limited (ERL) is among the 30 (thirty) selected State-Owned Enterprises (SOEs) and Autonomous Bodies (ABs) for Independent Performance Evaluation (IPE) for FY 2023-24. According to the evaluation results, ERL achieved a weighted average score of 3.12 out of 4.00, earning a "Very Good" grade.

1. Introduction

Eastern Refinery Limited (ERL) installation has been Completed on 28 December 1967 and started commercial operation on May 7, 1968. After the independence of Bangladesh, ERL was nationalized by the P.0-27 and P.O- 16 of 1972 and placed the company under Bangladesh Minerals, Oil and Gas Corporation (BOGMC). Later, Petrobangla was created by the Petroleum Act. 1974 and ERL transferred to Petrobangla. Then after Bangladesh Petroleum Corporation (BPC) was established in 1977 and subsequently ERL was placed under the BPC as its subsidiary Company. ERL is a Public Limited Company under companies Act 1913 (amended in 1994). BPC now held the 100% of ERL shares. ERL is the only SOE engaged in Producing Petroleum Products in the Country. The Energy and Mineral Resources Division under the Ministry of Power, Energy and Mineral Resources oversees ERL.

Table 1: Key Operational Activities

SL#	Particulars	Unit	FY 2021-22	FY 2022-23	FY 2023-24
1.	Crude Oil Received	M. Ton	1,376,244.412	1,481,690.266	1,300,862.555
2.	Crude Oil Processed	M. Ton	1,377,370.000	1,443.420.000	1,279,080.000
3.	Fuel Oil Transferred to Marketing Companies	M. Ton	1,253,365.075	1,345,752.437	1,182,011.608
4.	Process Loss	%	2.797	2.80	2.798

Source: ERL Annual Report 20022-23 & 2023-24

Over the last three fiscal years, Eastern Refinery Limited's operational performance shows moderate fluctuation in throughput while maintaining stable processing efficiency. Crude oil received increased from 1,376,244.412 metric tons in FY 2021–22 to 1,481,690.266 metric tons in FY 2022–23, reflecting a growth of about 7.7 percent, before declining to 1,300,862.555 metric tons in FY 2023–24, a decrease of approximately 12.2 percent compared to the previous year and about 5.5 percent lower than FY 2021–22. Similarly, crude oil processed rose from about 1.377 million metric tons in FY 2021–22 to about 1.444 million metric tons in FY 2022–23, an increase of roughly 4.9 percent, and then fell to about 1.279 million metric tons in FY 2023–24, representing a decline of around 11.4 percent from FY 2022–23 and about 7.1 percent from the base year. Fuel oil transferred to marketing companies followed the same pattern, increasing from 1,253,365.075 metric tons in FY 2021–22 to 1,345,752.437 metric tons in FY 2022–23 (about 7.4 percent growth), before dropping to 1,182,011.608 metric tons in FY 2023–24, a reduction of approximately 12.2 percent from the previous year and about 5.7 percent below FY 2021–22. Process loss remained virtually unchanged at around 2.8 percent throughout the period (2.797 percent in FY 2021–22, 2.80 percent in FY 2022–23 and 2.798 percent in FY 2023–24), indicating stable operational efficiency.

2. Roles and Functions:

i. To export excess petroleum products.
ii. To create skilled manpower through proper training.
iii. To take proper measures to ensure product quality.
iv. To produce various petroleum products by refining crude oil.

3. Core Business and Organizational Structure

Core Business of Eastern Refinery Limited (ERL):

i. To procure crude oil for uninterrupted production.
ii. To transfer fuel oil produced by the refinery to marketing companies to ensure uninterrupted supply of petroleum products all over the country.
iii. To construct necessary infrastructure to ensure proper maintenance of the plant.

4. Evaluation Parameters

Criteria: Business and Governance

Indices: A. Business Strategy and Social Responsibility

FY 2023-24

Table 2 (a): Standard of Indices A

Serial No.	Indicators & Sub-indicators	Types of Measurement	Weight for Sub-indicators	* Standard Grade: Excellent Score: 4	Grade: Very Good Score: 3	Grade: Good Score: 2	Grade: Fair Score: 1	Grade: Under-performing Score: 0
1	**Entity Strategy**							
	Entity Strategic Plan	QL	4	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Growth Trajectory**							
	2a. Net Income Growth	QN	4	20% or more	18% to 19%	16% to 17%	14% to 15%	Below 14%
	2b. Sales Growth	QN	4	14.00% or more	12% to 13.99%	10.00% to 11.99%	8.00% to 9.99%	Below 8%
	2c. Other Growth	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%
3	**Effective Implementation of Public Policy** • Implement activities to achieve policy goal	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%
4	**Efficiency of Project Implementation/ Project Goal Achievement:** • Percentage of estimated target achieved	QN	4	91-100%	81-90%	71-80%	41-70%	Below 41%
5	**Social Contribution** • Environmental Contribution • CSR	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%

Table 2 (b): Achievement of Indices A

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement Grade	Score	Basis of Performance Measuring
1	**Entity Strategy**						
	Entity Strategic Plan	QL	4	88.00%	Very Good	3	Note 1
2	**Growth Trajectory**						
	2a. Net Income Growth	QN	4	5.25%	Underperforming	0	AFS
	2b. Sales Growth	QN	4	11.50%	Good	2	AFS
	2c. Other Growth	QL	3	81.00%	Very Good	3	Note 2
3	**Effective Implementation of Public Policy**	QL	3	85.00%	Very Good	3	Note 3
4	**Efficiency of Project Implementation/ Project Goal Achievement:**	QN	4	91.00%	Excellent	4	Note 4
5	**Social Contribution**	QL	3	90.00%	Very Good	3	Note 5
Sub-Total			25				

Note-1: In align with Integrated Energy and Power Master Plan (IEPMP) 2023 and to meet the growing demand of fuel oil of the country, ERL has a strategic target to expand its refining capacity from 1.5 million to 4.5 million metric tons through the establishment of a second refinery unit (ERL-2), which is currently under implementation. Once operational, ERL will be able to meet about 60 percent of national petroleum demand, thereby reducing dependence on imported refined fuel, saving foreign exchange, and strengthening energy security. This initiative supports SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), and SDG 12 (Responsible Consumption and Production).

Note-2: Eastern Refinery Ltd. has upgraded its processing facilities through the following initiatives:

i. In the Crude Distillation Unit, three additional aero-condenser bundles were installed, increasing LPG recovery by about 40 percent.
ii. A new 25 mt/hr process boiler was added, enhancing production efficiency.
iii. A new cooling tower with a capacity of 4,000 m^3/hr was commissioned, further improving operational efficiency.
iv. A radar-based automatic gauging system was installed in 37 tanks at the ERL to ensure safer and more accurate operations.

Note-3: ERL-2 will enable ERL to meet about 60 percent of national petroleum demand, contributing to energy security, foreign exchange savings, and reduced vulnerability to external supply shocks reflecting strong alignment between public policy objectives and operational outcomes. ERL reinforces national energy security, industrial capacity, and supply reliability in alignment with the Government's strategic energy and industrial policy goals.

Note-4: ERL achieved 88.66% financial target and 92.66% of its physical target during FY 2023-24. These achievements were considered in determining its overall performance score for the evaluation year.

Note-5: ERL has introduced various social and environmental activities to promote sustainability and community development:

i. ERL regularly provides industrial training to the students of various organizations.
ii. The entity also provided training to 70 intern students from various Universities.
iii. The organization provides on the job training to the selected persons.
iv. ERL performs many activities under CSR programs during FY 2023-24 the entity spent TK2.855 million for community welfare purposes.
v. Introduced the recycling of waste cooling water
vi. Implementing a project Effluent Treatment Plant (ETP) to meet environmental regulations
vii. ERL has API separator for separation of oily water discharging from various process units that protect greenhouse gas emission.
viii. ERL has maintained WPPF, Provident Fund, Gratuity Fund etc. for its employees benefits.

Indices: B. Operational Efficiency

Table 3 (a): Standard of Indices B FY 2023-24

Serial No.	Indicators & Sub-indicators	Types of Measurement	Weight for Sub-indicators	* Standard Grade: Excellent Score: 4	Grade: Very Good Score: 3	Grade: Good Score: 2	Grade: Fair Score: 1	Grade: Under-performing Score: 0
1	**Product Delivery**							
	Product Benefit & Accessibility	QL	3	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Labor Productivity**							
	Added Value per Employee (million Tk.)	QN	3	Tk. 3.00 mil or more	Tk. 2.50 to 2.99 mil	Tk. 2.00 to 2.49 mil	Tk. 1.50 to 1.99 mil	Below Tk. 1.50 mil
3	**Capital Productivity**							
	3a. Added Value per Tk. Value of Assets	QN	3	Tk. 0.35 or more	Tk. 0.30 to 0.34	Tk. 0.25 to 0.29	Tk. 0.20 to 0.24	Below Tk. 0.20
	3b. Added Value Per Tk. Value of PPE	QN	3	Tk. 2.00 or more	Tk. 1.50 to 1.99	Tk. 1.00 to 1.49	Tk. 0.50 to 0.99	Below Tk. 0.50
4	**Production**							
	4a. Input Use Efficiency (%)	QN	3	97.50% or more	95.00% to 97.49%	92.50% to 94.99%	90.00% to 91.49%	Below 90.00%
	4b. Inventory Turnover (Times)	QN	3	2.00 or more	1.75 to 1.99	1.50 to 1.74	1.25 to 1.49	Below 1.25
	4c. Asset Turnover (Times)	QN	3	0.60 or more	0.55 to 0.59	0.50 to 0.54	0.45 to 0.49	Below 0.45
	4d. Capacity Utilization (%)	QN	4	91-100%	81-90%	71-80%	41-70%	Below 41%
		Sub-total	25					

Table 3 (b): Achievement of Indices B

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement Grade	Score	Basis of Performance Measuring
1	**Product Delivery**						
	Product Benefit & Accessibility	QL	3	89.00%	Very Good	3	Note -6
2	**Labor Productivity**						
	Added Value per Employee (million Tk.)	QN	3	Tk. 2.49 mil	Good	2	AFS
3	**Capital Productivity**						
	3a. Added Value per Tk. Value of Assets	QN	3	Tk. 0.34	Very Good	3	AFS
	3b. Added Value Per Tk. Value of PPE	QN	3	Tk. 1.61	Very Good	3	AFS
4	**Production**						
	4a. Input Use Efficiency (%)	QN	3	98.31 %	Excellent	4	Annexure 1, SL 43
	4b. Inventory Turnover (Times)	QN	3	1.95	Very Good	3	AFS
	4c. Asset Turnover (Times)	QN	3	0.63	Excellent	4	AFS
	4d. Capacity Utilization (%)	QN	4	85.27%	Very Good	3	Annexure 1, SL 42
	Sub-total		25				

Note-6: Eastern Refinery Ltd has provided the following facilities for its stakeholders:

- ERL has introduced Custody Transfer Flowmeter (CTFM) to reduce the finished products delivery time to the marketing companies of BPC.
- This CTFM system ensures the highest level of measurement accuracy in fuel oil delivery from ERL.

Indices: C. Financial

Table 4 (a): Standards of Indices C FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
	i. Financial Performance							
1	Operating profit	QN	2	Tk. 350 mil or more	Tk. 300 to Tk. 349 mil	Tk. 250 to Tk. 299 mil	Tk. 200 to Tk. 249 mil	Below Tk. 200 mil
2	Profit before Tax	QN	2	Tk. 450 mil or more	Tk. 400 to Tk. 449 mil	Tk. 350 to Tk. 399 mil	Tk. 300 to Tk. 349 mil	Below Tk. 300 mil
3	Return on Assets (%)	QN	2	7.00% or more	6.50% to 6.99%	6.00% to 6.49%	5.50% to 5.99%	Below 5.50%
4	Return on Sales (%)	QN	2	12.00% or more	10.00% to 11.99%	8.00% to9.99%	6.00% to 7.99%	Below 6.00%
5	Return on Equity (%)	QN	2	15.00% or more	13.00% to 14.99%	11.00% to 12.99%	9.00% to 10.99%	Below 9.00%
6	Net Worth Growth (%)	QN	2	14.00% or more	12.00% to 13.99%	10.00% to 11.99%	8.00% to 9.99%	Below 8.00%
7	Capital Budget Utilization (%)	QN	3	91-100%	81-90%	71-80%	41-70%	Below 41%
	ii. Financial Risk							
1	Debt Equity Ratio (Times)	QN	3	1.50or less	1.51 to 2.00	2.01 to 2.50	2.51 to 3.00	More than 3.00
2	Debt to Assets (Times)	QN	3	0.60or less	0.61 to 1.00	1.1 to 1.4	1.41 to 1.8	More than 1.8
3	Current Ratio (Times)	QN	3	2.00 or more	1.75to 1.99	1.50to 1.74	1.25to 1.49	Below 1.25
	iii. Transactions with Govt.							
1	Taxes Paid	QN	3	91-100%	81-90%	71-80%	41-70%	Below 41%
3	Dividend Paid	QN	3	91-100%	81-90%	71-80%	41-70%	Below 41%

Table 4 (b): Achievement of Indices C

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement		Basis of Performance measuring
					Grade	Score	
	i. Financial Performance						
1	Operating profit	QN	2	Tk. 351.75 mil	Excellent	4	AFS
2	Profit before Tax	QN	2	Tk. 514.54 mil	Excellent	4	AFS
3	Return on Assets (%)	QN	2	7.41%	Excellent	4	AFS
4	Return on Sales (%)	QN	2	11.68%	Very Good	3	AFS
5	Return on Equity (%)	QN	2	11.39%	Good	2	AFS
6	Net Worth Growth (%)	QN	2	10.96%	Good	2	AFS
7	Capital Budget Utilization (%)	QN	3	92.56%	Excellent	4	Annexure 1 SL 27 & 28
	ii. Financial Risk						
1	Debt Equity Ratio (Times)	QN	3	0.54	Excellent	4	AFS
2	Debt to Assets (Times)	QN	3	0.35	Excellent	4	AFS
3	Current Ratio (Times)	QN	3	2.95	Excellent	4	AFS
	iii. Transactions with Government						
1	Taxes Paid	QN	3	78.41%	Good	2	Annexure 1 SL 31 & 32
2	Dividend Paid (BPC)	QN	3	85.71%	Very Good	3	Annexure 1 SL 29 & 30
		Sub-total	30				

Indices: D. Corporate Governance Practices

Table 5 (a): Standard of Indices D FY 2023-24

		* Standard						
Serial No.	**Indicators & Sub-indicators**	**Types of Measurement**	**Weight for Sub-indicators**	**Grade: Excellent Score: 4**	**Grade: Very Good Score: 3**	**Grade: Good Score: 2**	**Grade: Fair Score: 1**	**Grade: Under-performing Score: 0**
1	**Commitment to Corporate Governance:** • Code of Conduct • Ethics • Key policies of Board • Board structure • Employees service rules/regulations • Appointment of Board Secretary	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
2	**Board Practices:** • Composition of Board of Directors and number of meetings held • TOR of board • Number of independent Board Directors • Name & Number of board committees and number of meetings held • Number of board decisions that have been implemented	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
3	**Transparency and Disclosure:** • Board of directors and Senior managers name and biographies • Audited financial statement • Citizen charter • APA • Code of conduct	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%
4	**Control Environment and Process:** • Entity's internal control systems for different departments • Internal audit procedure and reporting authority • Entity's computer-based management information system (database) • Any authority of the board to mitigate the entity's emergency situation • Measures taken for safe working environment in the entity's premises	QL	5	91-100%	81-90%	71-80%	41-70%	Below 41%

Table 5 (b): Achievement of Indices D

Serial No.	Indicators & Sub-Indicators	Types of Measurement	Weight for sub-indicators	Actual Performance	Achievement		Basis of Performance Measuring
					Grade	Score	
1	Commitment to Corporate Governance	QL	5	91%	Excellent	4	Note7
2	Board Practices	QL	5	85%	Very Good	3	Note 8
3	Transparency and Disclosure	QL	5	90%	Very Good	3	Note 9
4	Control Environment and Process.	QL	5	91%	Excellent	4	Note 10
		Sub-total	20				
		Grand Total (A+B+C+D):	100				

* Standard for Financial and Non-Financial indicators are set on the basis of IPE process.

Note-7: The entity operates under its Memorandum and Articles of Association and adheres to the Bangladesh Petroleum Act of 1974, along with relevant rules, regulations, policies, employee service rules, code of conduct, ethics, PPA 2006, Bangladesh Environment Conservation Act- 1995, Boiler Act,1884, Fire Prevention and Fire Fighting Act 2003 and Board Charter etc. to uphold corporate governance. ERL also employs a corporate secretary for its board.

Note-8 The entity's Board of Directors comprises seven members all members nominated by the government. During the fiscal year 2023-24, 8(eight) board meetings were held, resulting in the implementation of 29 board decisions. It is noteworthy that ERL have two board committees, and no independent directors included to the board.

Note-9: The entity publishes a wide range of information on its website, including acts, rules, names and biographies of board directors and senior managers, audited financial statements, the citizen charter etc.

Note-10: ERL has implemented the following measures to enhance environmental and process control:

i. ERL established an Internal Control system to verify and check all financial transactions including procurement of goods and services for accuracy and transference across various departments that report submit to the Management.
ii. ERL has a Fire & Safety Department to ensure safe work environment. The entity has software based alarming system to detect fire incident at different Critical Zone. ERL has a written safety regulations updated in 2024.
iii. ERL has dedicated Computer & Data Processing Department to provide necessary hardware & software supports
iv. ERL using six various software for different application.
v. Introduced ERP integrated software for planning, shipping, employee activity digitalization etc.

5. IPE Process

i. Performances of non-financial indicators of Eastern Refinery Limited (ERL) has been evaluated using information and documents of the inception report provided by ERL.

ii. Actual performance score of non-financial indicators is determined through the collective decision of ERT members.

iii. Non-financial Indicators' Score will be based on specific documentary evidence.

iv. According to IPEG, actual financial performances of ERL are to be evaluated on the basis of national best practices/standard. However, due to the non-availability of such standard and comparable entities in the country, ERL's financial performance was assessed based on its performance over the last five years on respective financial indicators.

v. Performances of all financial indicators are evaluated based on audited financial statements.

vi. Measurement tools used for financial indicators are suggested by IPEG.

vii. Grades and scores are assigned according to the IPEG.

6. Performance Evaluation Results

Eastern Refinery Limited (ERL)

Fiscal Year: 2023-24

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
a	b	c	D	e	f
A	**Business Strategy and Social Responsibility:**	25			
1	Entity Strategy: • Entity Strategic Plan		4	3	0.12
2	Growth Trajectory: 2a. Net Income Growth		4	0	0.00
	2b. Sales Growth		4	2	0.08
	2c. Other Growth		3	3	0.09
3	Effective Implementation of Public Policy • Implement activities to achieve policy goal		3	3	0.09
4	Efficiency of Project Implementation/ Project Goal Achievement: • Percentage of estimated target achieved"		4	4	0.16
4	Social Contribution: • Environmental Contribution • CSR / WPPF • Training / Volunteering		3	3	0.09
	Sub Total		**25**		**0.63**

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
B	**Operational Efficiency:**	25			
1	Product Delivery: • Product benefits and Accessibility		3	3	0.09
2	Labor Productivity: Added Value Per Employee		3	2	0.06
3	Capital Productivity: 3a. Added Value Per TK Value of Assets		3	3	0.09
	3b. Added Value Per TK Value of PPE		3	3	0.09
4	Production:				
	4a. Input Use Efficiency (%)		3	4	0.12
	4b. Inventory Turnover (Times)		3	3	0.09
	4c. Asset Turnover (Times)		3	4	0.12
	4d. Capacity Utilization (%)		4	3	0.12
	Sub Total		**25**		**0.78**

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
C	**Financial:**	30			
	i. Financial Performance:				
1	Operating profit		2	4	0.08
2	Profit before tax		2	4	0.08
3	Return on assets		2	4	0.08
4	Return on Sales		2	3	0.06
5	Return on equity		2	2	0.04
6	Net worth growth		2	2	0.04
7	Capital budget utilization		3	4	0.12
	ii. Financial Risk:				
1	Debt equity ratio		3	4	0.12
2	Debt to assets		3	4	0.12
3	Current ratio		3	4	0.12
	iii. Transactions with Government:				
1	Taxes paid		3	2	0.06
2	Dividend Paid		3	3	0.09
	Sub Total		**30**		**1.01**

Serial No	Name of Indices, Indicators and Sub-indicators	Weight for Indices	Weight for Sub indicators	Score Obtained	Weighted Score
D	**Corporate Governance Practices:**	20			
1	Commitment to Corporate Governance: • Code of Conduct • Ethics • Key policies of Board • Board structure • Employees service rules/ regulations • Appointment of Board Secretary		5	4	0.20
2	Board Practices: • Composition of Board of Directors and number of meetings held • TOR of board • Number of independent Board Directors • Name & Number of board committees and number of meetings held • Number of board decisions that have been implemented		5	3	0.15
3	Transparency and Disclosure: • Board of directors and Senior managers name and biographies • Audited financial statement • Citizen charter • APA • Code of conduct		5	3	0.15
4	Control Environment and Process: • Entity's internal control systems for different departments • Internal audit procedure and reporting authority • Entity's computer-based management information system (database) • Any authority of the board to mitigate the entity's emergency situation • Measures taken for safe working environment in the entity's premises		5	4	0.20
	Sub Total		**20**		**0.70**
	Grand Total (A+B+C+D)	**100**	**100**		**3.12**

7. Interpretation of Results

As per Independent Performance Evaluation Eastern Refinery Limited Scored 3.12 out of 4.00 in the year 2023-24.

7. (A) The performance of ERL is graded "Excellent" in the following areas:

- Input Use Efficiency
- Efficiency of Project Implementation
- Current Ratio
- Debt Equity Ratio
- Debt to Assets
- Assets Turnover
- Control Environment and Process
- Corporate Governance
- Return on Assets
- Capital Budget Utilization

The performance of ERL is graded "Very Good" in the following areas:

- Product Delivery
- Other Growth
- Inventory Turnover
- Transparency and Disclosure
- Capacity Utilization
- Return on Sales
- Social Contribution
- Annual Performance Agreement (APA)
- Board Practices
- Entity Strategic Plan
- Effective Implementation of Public Policy
- Capital Productivity

The performance of ERL is graded "Good" in the following area:

- Net Worth Growth
- Return on Equity
- Sales Growth
- Labour Productivity

The performance of ERL is graded "Underperforming" in the following area:

- Net Income Growth

7. (B) Other important aspects of Performance during FY 2023-24:

i. ERL recorded an operating profit of Tk. 351.75 million.
ii. The entity earned net profit (after tax) of Tk. 371.93 million.
iii. ERL's current ratio stood at 2.95, reflecting a well position to meet current liabilities within the due period.
iv. Tk. 116.17 million was paid as taxes.
v. Dividend Paid Tk. 49.50 million.

8. Findings from the Audited Financial Statement 2023-24

8.(A) In the Eastern Refinery Limited (ERL) Audit Report 2023-24 the auditors provided the qualified opinion to the following issues:

1. Due to incomplete fixed assets register and absence of tag/identification number in the assets the auditor did not verify the physical existence of the Plant, Property and Equipment (PPE) of Tk. 7,408.63 million.
2. Ownership of vacuum distillation column of refining plant Tk. 311.38 million still unsettled between BPC and ERL.
3. The company did not charge VAT at 15% on disclosed revenue of Tk. 3,185.4million, which is a violation of VAT rules and regulations.

8. (B) In the ERL Audit Report 2023-24 the auditors emphasized and drew attention to the following issues:

1. Valuation of property, plant and equipment worth Tk. 1,047.71 million not yet complete but it should be revalued urgently
2. Advance income Tax should be adjusted with actual income Tax payable amount for the year 2023-24 for fair presentation of its AFS.
3. The company charged income Tax rate @ 22.50% instead of applicable Tax rate @ 27.50% that is violation of income tax rule and regulations.
4. The entity disclosed 'Related Party Transactions' in Note 28 of its audited financial statements. During FY 2023–24, ERL conducted a number of transactions with BPC and its 7 (seven) subsidiaries. As of June 30, 2024, the total outstanding balance relating to these related party transactions stood at Tk. 912.44 million.

9. Recommendation for Performance Based Incentives

Eastern Refinery Limited has obtained a weighted score 3.02 out of a scale 4.00 and is graded "Very Good". Therefore, IPEC recommended a non-financial incentive for the employees of ERL. Also, a certificate from Finance Division may be awarded to ERL for being graded "Very Good" in IPE for the FY 2023-24.

10. Recommendations for Improvements:

To improve the performance of ERL the following recommendations are made based on the findings of IPE:

i. To strengthen the energy security of the country, ERL should take all measures to complete the project of ERL-Unit-2 within the stipulated period.
ii. The entity should timely execute the installation of Single Point Mooring (SPM) with Double Pipeline Project to ensure the unloading operation of imported crude oil and diesel in a safe, fast and cost-effective manner.
iii. To modernize and develop the operational process, ERL has undertaken various projects such as Laboratory Building expansion, replacement of Process Boiler, Fire and Detection system, ETP etc. All these projects should be completed within the timeline.
iv. ERL should take necessary steps to reduce their processing loss within the acceptable range.
v. The entity should maintain an updated asset register with costs or fair values and introduce modern accounting software to ensure accurate and transparent financial reporting.
vi. The entity should take proper training programs to enhance the skills and efficiency of its employees for better and modern operations process.
vii. The entity should address the auditor's concerns in accordance with IAS/IFRS guidelines to ensure accurate and compliant financial statement presentation.
viii. The entity may consider appointing women directors to its Board in alignment with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024), UN Sustainable Development Goal (SDG) 5 on Gender Equality, and World Bank/IFC corporate governance recommendations to promote gender diversity.
ix. To implement the government directive the entity should arrange tree plantation programs with an aim to mitigate climate change and address global warming.

11. Conclusion

Based on AFS, data and documents of ERL, Independent Performance Evaluation (IPE) report has been prepared for FY 2023-24. The evaluation result shows ERL's financial and non-financial performance are improving. The entity should complete the ERL Unit-2 within the timeline that will enable to meet 60% demand for petroleum products of the country as well as it will also increase the sales revenue, profitability & productivity of organization. ERL should resolve/settle the financial issues mentioned in ERL Audited Financial Statement 2023-24.

Annexure 1

Eastern Refinery Limited (ERL)
Financial & Other Information

			Amount in BDT
Serial No	**Statement of Financial Position (Balance Sheet)**	**Evaluate Fiscal Year**	**Previous Fiscal Year**
		2023-24	2022-23
1	Current Assets:		
	i. Inventories		
	• Spares and Consumables	1,176,343,576	1,121,823,058
	• Accessories/ Supplies		
	• Work-in-Progress (WIP)		
	• Others (including spare parts)		
	• Finished goods		
	ii. Receivable:		
	• Trade		
	• Others	153,323,975	113,838,836
	iii. Cash and Cash Equivalent	124,682,671	2,383,757,606
	iv. Others Current Assets & Investment	2,520,517,295	2,350,325,048
2	Total Current Assets (i+ii+iii+iv)	3,974,867,517	5,969,744,548
3	Total Non-Current Assets		
	• Property, Plant & Equipment (PPE)	1,047,714,453	964,472,590
	• Capital Work in Progress		
	• Investments		
	• Other non-current assets		
4	Total Assets (2+3)	5,022,581,970	6,934,217,138
5	Current Liabilities:		
	i. Payables:		
	• Trade	154,087,133	141,576,457
	• Others	376,256,802	2,501,746,435
	ii. Other Current Liabilities	815,656,139	683,870,361
6	Total Current Liabilities (i+ii)	1,346,000,074	3,327,193,253
7	Non-Current Liabilities:		
	i. Long Term Loans/Debts		63,558,350
	ii. Deferred Liabilities	411,606,186	600,918,135
	iii. Other Non-Current Liabilities		
8	Total Non-Current Liabilities (i+ii+iii)	411,606,186	664,476,485
9	Total Liabilities (6+8)	1,757,606,260	3,991,669,738
10	Equity:		
	i. Share Capital	330,000,000	330,000,000
	ii. Revenue Reserve	1,284,892,293	1,284,892,293
	iii. Capital Reserve	575,063,225	559,572,434
	iv. Retained Earnings/(Loss)	1,075,020,192	768,082,673
11	Total Equity (i+ii+iii+iv+v)	3,264,975,710	2,942,547,400
12	Total Equity and Liabilities (9+11)	5,022,581,970	6,934,217,138

Annexure 1

Serial No	Statement of Profit or Loss and Other Comprehensive Income (Income Statement)	2023-24		2022-23	
		Amount	Percentage	Amount	Percentage
13	Net Sales Revenue/Receipts	3,185,473,867	100%	2,856,894,844	100%
14	Less: Cost of Sales/Services	2,236,660,744	70%	1,923,672,221	67%
15	Gross Profit/(Loss)/Surplus/(Deficit) (13-14)	948,813,123	30%	933,222,623	33%
16	Less: Operating Expenses:				
	i. Administrative Expenses	597,065,345	19%	555,343,396	19%
	ii. Marketing Expenses				
17	Total Operating Expenses (i+ii)	597,065,345	19%	555,343,396	19%
18	Operating Profit/(Loss)/Surplus/(Deficit) (15-17)	351,747,778	11%	377,879,727	13%
19	Add: Non-Operating Income	192,720,664		139,763,686	
20	Less: Financial Expenses	2,844,087		3,235,947	
21	Less: Contribution to WPPF	27,081,218		25,720,348	
22	Net Profit/(Loss)/Surplus/(Deficit) before Tax (18+19 – 20 – 21)	514,543,137		488,686,617	
23	Less: Provision for Tax				
	i. Current tax	148,164,263		141,986,734	
	ii. Deferred tax	(5,549,436)		(6,668,070)	
24	Net Profit/(Loss)/Surplus/(Deficit) After Tax (22-23)	371,928,310		353,367,953	

Annexure 1

Serial No	Other Information	Evaluate Fiscal Year	Previous Fiscal Year
		2023-24	2022-23
25	Credit Sales		
26	Credit Purchases		
27	Capital Budget Allocation	186,150,000	113,133,000
28	Actual Capital Expenditure	172,304,530	66,606,000
29	Dividend Payable	57,750,000	49,500,000
30	Dividend Paid	49,500,000	49,500,000
31	Taxes Payable	148,164,263	116,170,964
32	Taxes Paid	116,170,964	189,348,996
33	Debt Service Liabilities (DSL) Payable		
34	Debt Service Liabilities (DSL) Paid		
35	Fees, Fine and Charges Payable		
36	Fees, Fine and Charges Paid		
37	New Government Investment:		
	• Equity		
	• Debts/Loan		
38	Total Government Fund Transferred to SOE/AB under the following heads:		
	• Grants		
	• Subsidies		
	• Other Transfer (Specify)		
39	Operating Cash Surplus/(Deficit)	(1,805,883,590)	2,325,546,927
40	Added Value	1,685,908,424	1,676,003,634
41	Employee’s cost includes wages, salaries, bonus, provident fund contribution and other allowances		
42	Capacity Utilization (%)	85.27%	96.20%
43	Input use Efficiency (%)	98.31%	
44	Number of Employees (Nos)	644	709
45	Performance score achieved on APA		