SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

1997-98

वार्षिक रिपोर्ट

Annual Report



golden years of independence



glorious years of progress

MRL

मद्रास रिफाइनरीज़ लिमिटेड

Madras Refineries Limited

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



TIMES CHANGE – VALUES DON'T

As India celebrates her golden jubilee of Independence, MRL has registered an all time record performance – the highest in all facets, since inception - a crowning glory to over three decades of commitment and spirit of enterprise.

We are now ushering in a dawn of a new era ...

The future ahead of MRL is indeed very bright. The phased introduction of Market Driven Pricing Mechanism (MDPM) opens plethora of opportunities for growth and diversification.

MRL has been preparing itself to fully utilise these opportunities through constant upgradation of expertise to become globally competitive – thanks mainly to its vast pool of skilled human resources and leading – edge technologies.

Times are changing ...

MRL has the vision and commitment to change with times, and is all set to succeed.

Times may change but our basic values will remain ...

Our commitment to values provides the confidence embodied in our new motto "Together, We Will Do it".

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM No.8 :

Mr. V. Shyam Sunder was nominated by the Government of India for appointment as Director under Clause 2.5 B of the Formation Agreement. Mr. V. Shyam Sunder was appointed as an Additional Director pursuant to Article 88(A) of the Articles of Association of the Company on the Board and as Chairman & Managing Director of the Company by way of a Circular Resolution of the Board of Directors dated 26.09.1997. As per the provisions of Section 260 of the Companies Act, 1956, Mr. V. Shyam Sunder will hold office only upto the date of the Thirty Second Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. V. Shyam Sunder as a Director, not liable to retire by rotation pursuant to Article 94 of the Articles of Association of the Company.

None of the Directors is interested in the resolution except Mr. V. Shyam Sunder.

ITEM No.9 :

Mr. M.S. Srinivasan was nominated by the Government of India for appointment as Director under Article 86(c) of the Articles of Association of the Company read with Clause 2.5 B of the Formation Agreement in the place of its earlier nominee Mr. P.C. Cyriac. Mr. M.S. Srinivasan was appointed as an Additional Director on the Board of the Company by way of a Circular Resolution of the Board of Directors dated 20.11.1997. As per the provisions of Section 260 of the Companies Act, 1956, Mr. M.S. Srinivasan will hold office only upto the date of the Thirty Second Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. M.S. Srinivasan as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution except Mr. M.S. Srinivasan.

By order of the Board
V. SRINIVASAN
Company Secretary

Date : 17.08.98
Place : Chennai

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Madras Refineries Limited

552, Anna Salai, Chennai 600 018.

N O T I C E

Notice is hereby given that the 32nd Annual General Meeting of the Company will be held at **3.00 P.M.** on **Thursday, the 24th September 1998** at **Kamaraj Arangam, 574-A, Anna Salai, Chennai 600 006** to transact the following businesses :

ORDINARY BUSINESSES :

1. To receive and adopt the Audited Profit & Loss Account of the Company for the period from 1st April 1997 to 31st March 1998 and the Audited Balance Sheet as at 31st March 1998 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. M.P. Srinivasan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. C.S. Santhanam, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. N.K. Sinha, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in the place of Mr. K.P. Shahi, who retires by rotation and is eligible for re-appointment.
7. To appoint a Director in the place of Mr. S. Velumani, who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESSES :

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

   "RESOLVED that Mr. V.Shyam Sunder, be and is hereby appointed as Director of the Company."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

   "RESOLVED that Mr. M.S. Srinivasan, I.A.S., be and is hereby appointed as Director of the Company."

Date : 17.08.98
Place : Chennai

By order of the Board
V. SRINIVASAN
Company Secretary

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of himself.
2. A proxy need not be a member of the Company.
3. Proxies, in order to be effective, must be lodged at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
4. Members/ Proxies should bring their attendance slip, duly filled in, to the meeting.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions set out against item Nos.8 and 9 of the Notice is annexed.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from 1st September 1998 to 24th September 1998 (both days inclusive).
7. Members are requested to immediately intimate any change in their addresses, registered with the Company.
8. Dividend, upon its declaration at the Meeting, will be paid to those Members, whose names appear in the Register of Members of the Company as on 24th September 1998. Shares, that are partly paid as on 31.03.1998, will be eligible for the dividend, in proportion to the amount paid up as on that date.
9. INSPECTION OF DOCUMENTS : The relevant documents are available for inspection by the shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

MADRAS REFINERIES LIMITED

552, Anna Salai, Teynampet, Chennai - 600 018

ANNUAL REPORT, 1997-98
ADDENDUM TO DIRECTORS' REPORT 1997-98

A. REVIEW OF ACCOUNTS OF MADRAS REFINERIES LIMITED FOR THE YEAR ENDED 31ST MARCH 1998 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note : Review of Accounts has been prepared without taking into account Comments under Section 619(4) of the Companies Act, 1956 and qualification contained in the Statutory Auditors' Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the last three years.

(Rs.in lakhs)

		1995-96	1996-97	**1997-98**
LIABILITIES				
a)	Paid-up Capital			
	i. Government	7,726.52	7,726.52	**7,726.52**
	ii. Others	6,634.04	6634.91	**6,983.42**
	Share application money	–	–	**–**
b)	Reserves & Surplus			
	i. Free Reserves & Surplus	38,241.42	44,513.27	**53,073.82**
	ii. Share Premium Account	21,225.27	21,231.38	**23,670.93**
	iii. Capital Reserves	–	–	**–**
c)	Borrowings			
	i. From Govt. of India	1,938.42	1,492.71	**1,047.00**
	ii. From Financial Institutions	61,099.94	61,458.99	**78,433.25**
	iii. Foreign Currency Loans	–	–	**–**
	iv. Cash Credit	312.77	12,979.98	**4,430.44**
	v. Others	10,872.80	17,770.42	**7,493.96**
	vi. Interest accrued and due	–	–	**–**
d)	i. Current Liabilities and Provisions	1,77,194.36	2,81,911.31	**2,95,883.86**
	ii. Provision for Gratuity	569.03	266.14	**451.09**
	Total	3,25,814.57	4,55,985.63	**4,79,194.29**
ASSETS				
e)	Gross Block	1,36,769.07	1,41,410.31	**1,47,621.99**
f)	Less: Depreciation	46,242.53	54,147.05	**62,312.59**
g)	Net Block	90,526.54	87,263.26	**85,309.40**
h)	Capital Work-in-progress	6,803.07	7,857.03	**9,849.42**
i)	Investments	1,204.00	1,203.80	**18,148.73**
j)	Current Assets, Loans and Advances	2,26,214.32	3,58,928.80	**3,65,523.25**
k)	Miscellaneous expenditure not written off	1,066.64	732.74	**363.49**
l)	Accumulated loss	–	–	**–**
	Total	3,25,814.57	4,55,985.63	**4,79,194.29**

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

m)	Working Capital [j – d(i) – c(vi)]	49,019.96	77,017.49	**69,639.39**
n)	Capital Employed (g+m)	1,39,546.50	1,64,280.75	**1,54,948.79**
o)	Net Worth [a+b(i) + b(ii) – k – l]	72,760.61	79,373.34	**91,091.20**
p)	Net Worth per rupee paid up capital (in Rs.)	5.07	5.53	**6.19**

2. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under:

(In Percentages)

		1995-96	1996-97	**1997-98**
A.	Liquidity Ratio :			
	Current Ratio (Current Assets to Current Liabilities & Provisions and interest accrued and due but excluding provisions for gratuity) [j/d(i)+c(vi)]	127.66	127.31	**123.54**
	The ratio (expressed as a percentage) indicates the coverage of current liabilities by the liquid assets held by the Company. The "Current Liabilities" are fully covered by the liquid assets, despite the decline in the ratios in all the above three years.			
B.	Debt Equity Ratio :			
	Long term debt to Equity [c (i to v but excluding short term loans) / o]	85.79	89.41	**84.19**
	The proportion of own funds to borrowed funds was uniform indicating high deployment of own funds than borrowed funds.			
C.	Profitability Ratios :			
	a) Profit Before Tax to			
	i. Capital Employed	6.74	7.14	**9.32**
	The operating profitability of capital employed has increased indicating increasing operating earnings out of the capital employed.			
	ii. Networth	12.93	12.87	**15.86**
	The increasing trend in the ratio indicates improvement in the return on shareholders funds.			
	iii. Sales	4.28	4.70	**5.31**
	b) Profit After Tax to Equity	12.93	12.87	**14.19**
	c) Earnings per share (in Rupees)	6.55	7.11	**8.78**
	The earnings per share has improved from Rs.6.55 to Rs.8.78 on account of the increase in profits.			

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

3. SOURCES AND UTILISATION OF FUNDS

(Rs. in lakhs)

		1997-98
SOURCES OF FUNDS:		
1. Funds from operations:		
Profit After Tax	12,927.76	
Add: Depreciation	8,183.46	
	21,111.22	
Less: Profit on Sale of Assets	3.13	
Corporate Dividend Tax	397.02	
		20,711.07
2. Increase in Share Capital		348.51
3. Increase in Share Premium A/C.		2,439.55
4. Increase in Gratuity Provision		184.95
5. Decrease in Working Capital		6,408.24
6. Decrease in Misc. Expenditure		369.25
7. Sale Proceeds of Fixed Assets		12.73
		30,474.30
UTILISATION OF FUNDS:		
1. Increase in Fixed Assets	6,239.20	
Add : Increase in Capital Work-in-Progress	1,992.39	
		8,231.59
2. Decrease in Borrowed Funds		2,297.45
3. Increase in Investments		16,399.38
4. Dividend paid		3,545.88
		30,474.30

Report Junction.com

4. WORKING CAPITAL

The Working Capital (i.e. Current Assets less Current Liabilities) increased from Rs.49,019 lakhs in 1995-96 to Rs.77,017.49 lakhs in 1996-97 and decreased to Rs.69,639.39 lakhs in 1997-98. As a percentage of sales, it increased from 22.28 in 1995-96 to 30.87 in 1996-97 and decreased to 25.60 in 1997-98 thereby indicating increase in the turning over of working capital in 1997-98 as compared to 1996-97. As a percentage to inventories, it has decreased from 109.25 in 1995-96 to 100.79 in 1996-97 but increased to 144.57 in 1997-98 indicating that the funds deployed for inventories has come down during the current year.

5. WORKING RESULTS

The working results of the Company in the last three years were as given below:

(Rs.in lakhs)

		1995-96	1996-97	1997-98
1.	Sales	2,19,969.69	2,49,511.25	**2,72,007.83**
2.	Profit Before Tax	9,411.12	11,734.76	**14,447.32**
3.	Profit After Tax	9,411.12	10,217.67	**12,927.76**
4.	Percentage of Profit Before Tax			
	a) To Sales	4.28	4.70	**5.31**
	b) To Capital Employed	6.74	7.14	**9.32**
5.	Percentage of Profit After Tax			
	a) To Net Worth	12.93	12.87	**14.19**
	b) To Equity Capital	65.53	71.15	**87.88**
6.	Closing Stock of Finished Goods	10,337.84	16,325.96	**15,391.03**
7.	Value of Production	2,19,603.46	2,56,812.27	**2,68,040.47**

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

The increase in profit before tax is mainly due to better operating performance and release of margins by Oil Co-ordination Committee.

6. INVENTORY LEVELS

I. The overall inventory decreased considerably in 1997-98 as shown below:

(Rs.in lakhs)

		1995-96	1996-97	**1997-98**
i.	Raw Materials (Crude in stock including in transit)	17,369.19	41,705.59	**18,424.86**
ii.	Stores & Spares	11,599.06	11,502.96	**10,512.57**
iii.	Intermediate products	5,562.63	6,875.53	**3,843.10**
iv.	Finished Products	10,337.84	16,325.96	**15,391.03**
II.	Value of finished products in term of number of months of production	0.56	0.76	**0.69**

The value of finished goods in terms of number of months production has increased from 0.56 in 1995-96 to 0.76 in 1996-97 but has decreased to 0.69 in 1997-98 indicating the movement of finished products.

7. SUNDRY DEBTORS

(i) The following table indicates the volume of book debts and sales for the last three years

(Rs.in lakhs)

As on 31st March	Sundry Debtors considered good	Sundry Debtors considered doubtful	Sales	Percentage of Sundry Debtors to Sales
1996	3,068.64	NIL	2,19,969.69	1.40
1997	2,992.77	NIL	2,49,511.25	1.20
1998	**7,084.60**	**NIL**	**2,72,007.83**	**2.60**

(ii) The age-wise analysis of sundry debtors for the last three years are as follows:

(Rs.in lakhs)

As on 31st March	Less than one year	Above one year but less than two years	Above 2 years but less than 3 years	Above three years	Total
1996	3,009.60	28.93	12.17	17.94	3,068.64
1997	2,942.71	11.75	9.48	28.83	2,992.77
1998	**7,033.99**	**3.73**	**13.13**	**33.65**	**7,084.60**

(S.C.S. GOPALKRISHNAN)
Principal Director of Commercial Audit &
Ex-Officio Member Audit Board, Chennai

Place : Chennai 600 034
Date : August 19, 1998

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

B. COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADRAS REFINERIES LIMITED, CHENNAI FOR THE YEAR ENDED 31ST MARCH 1998.

1. BALANCE SHEET - CAPITAL GOODS, WORK-IN-PROGRESS AND ADVANCES - (SCHEDULE 5) CAPITAL WORK-IN-PROGRESS - Rs.8,335.74 LAKHS.

   This includes expenditure in connection with consultancy and other fees amounting to Rs.526.40 lakhs regarding Visbreaker Revamp Project which has been abandoned during the year. As this portion of the cost of the abandoned project represents costs which cannot be reclaimed, this has resulted in overstatement of 'Capital work-in-progress' as well as 'profit' by Rs.526.40 lakhs.

2. BALANCE SHEET - CURRENT ASSETS, LOANS AND ADVANCES - LOANS AND ADVANCES - (SCHEDULE 11) BALANCE WITH CUSTOMS, EXCISE AND PORT TRUST AUTHORITIES RS.178.51 LAKHS.

   The above does not include Rs.10 lakhs irregularly paid in Cauvery Basin Refinery, Nagapattinam and charged to final head of expenditure (excise duty) without clearance of products, to comply with the request made by Central Excise Authorities, Profit and Loss Account on 31.03.1998 was incorrectly debited to that extent.

3. BALANCE SHEET - CURRENT LIABILITIES AND PROVISION (SCHEDULE 12) - CURRENT LIABILITIES - OTHER LIABILITIES Rs.10,797.20 LAKHS.

   According to Rule 57 C of Central Excise Rules 1944, Modvat Credit of Central Excise Duty paid on inputs is not permissible when the final product is exempted from payment of duty. The Company has irregularly availed modvat credit on captively consumed LSHS during March 1994 to March 1998, because the final product Naptha was not leviable to duty. Thus the Company has not complied with the Statutory rules. Extra liability on this infraction worked out to Rs.300.64 lakhs resulting in understatement of current liabilities and overstatement of profit to this extent.

4. PROFIT AND LOSS ACCOUNT - INCOME - NET RECOVERY FROM INDUSTRY POOL ACCOUNTS - Rs.64,049.23 LAKHS.

   This includes Rs.1,670.91 lakhs representing the excess claim, made with Oil Coordination Committee in respect of crude-in-transit included in the average inventory in excess of 21 days thruput for purpose of return on additional working capital. As the crude-in-transit cannot be treated as crude held in Refinery and should not be included for the purpose of calculation of return on additional working capital, the above treatment has resulted in the overstatement of income as well as profit for the year by Rs.1,670.91 lakhs each.

(S.C.S. GOPALKRISHNAN)
Principal Director of Commercial Audit &
Ex-Officio Member Audit Board, Chennai

Place : Chennai 600 034
Date : August 19, 1998

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

C. REPLIES OF THE BOARD OF DIRECTORS TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER 619 (4) OF THE COMPANIES ACT, 1956

Reply to Comment No.1

The company is taking all efforts to effectively utilise the facilities created for the Visbreaker Revamp project in the proposed 3 MMTPA expansion project and other ongoing projects.

The detailed engineering and the process package fee paid to the Consultants for this project (Engineers India Ltd.) can be utilised for the modern Visbreaker unit of the proposed 3 MMTPA expansion also as the same consultants are likely to be retained.

In the opinion of the company, expenditure incurred on this project could be utilised as proposed above. Further, it is expected that the amount of expenditure requiring write-off will be very minimal and all efforts will be taken to effectively utilise the facilities in other projects.

On completion of the above exercise, if the company is unable to beneficially utilise any part of the facilities for other projects, such sum shall be charged off to Profit and Loss account in future after the requisite approval from the Board of Directors.

Reply to Comment No.2

The amount of Rs.10 lakhs has since been adjusted.

The comment is noted for future reference.

Reply to Comment No.3

The company has already contested the issue with the Central Excise Department.

The Show Cause Notice from the Central Excise Department, is dated 21st May 1998 and the same was received on 27th May 1998. The accounts of the company were adopted by the Board in its meeting held on 11th May 1998 and audited by that date.

Liability, if any, will be recognised by the Company on final disposal of the appeal preferred by the Company with the Central Excise Appellate Authorities.

Reply to Comment No.4

The fact that crude in transit formed part of working capital was accepted from the very beginning of the Administered Pricing Mechanism as per the Report of the Oil Prices Committee of 1976 issued by the Government of India. The format prescribed for claiming this return included specific columns for inclusion of crude held in Refinery tanks, Mandatory tanks and also Crude on high seas as part of inventory for calculating crude oil stocks.

The entire Oil Industry has been preferring claims based on this principle and the same has been settled by the Oil Coordination Committee and accepted by the Auditors.

The Company received a letter from OCC dated 25th June 1998 conveying the decision of the Ministry of Petroleum & Natural Gas (MoP&NG) that crude-in-transit cannot be treated as crude held in the refinery. The Oil Industry as a whole has made representations to the MoP&NG requesting a review of the decision.

Further, since the accounts of the Company was adopted by the Board of Directors on 11th May 1998 and audited by that date liability on account of the above was not recognised in the accounts.

Suitable action will be initiated after a final decision is received from MoP&NG.

For and on behalf of the Board

Place : Chennai 600 018
Date : August 21, 1998

V. SHYAM SUNDER
Chairman and Managing Director

www.reportjunction.com