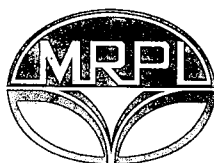
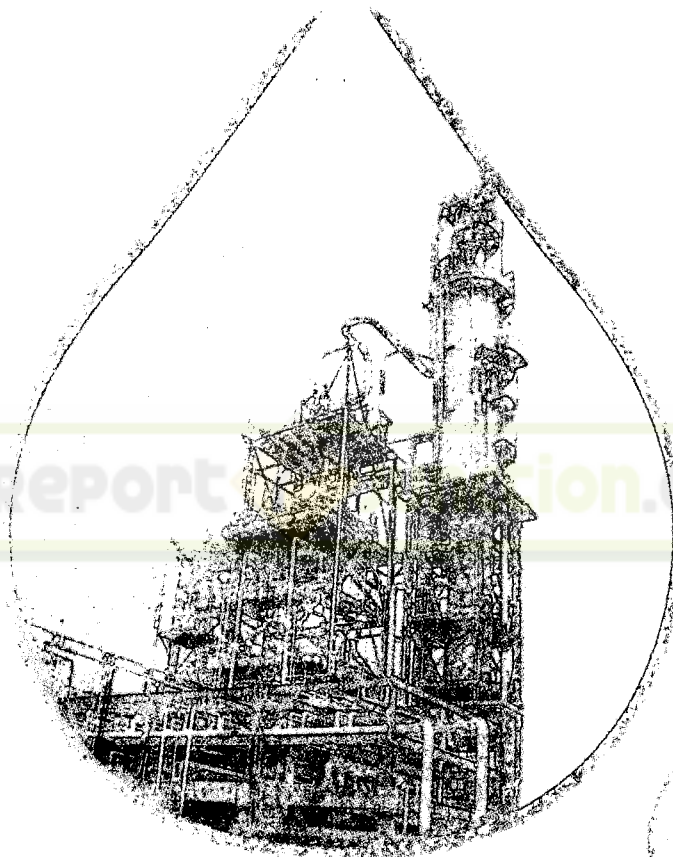


10TH ANNUAL REPORT 1997-98

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓





BOARD OF DIRECTORS

Kumarmangalam Birla, Chairman
 H. L. Zutshi
 M. C. Bagrodia
 S. K. Kerr
 Bansi S. Mehta
 C. Ramulu
 A. J. Advani (ICICI Nominee)
 Jagdeesh M. Mehta, Managing Director (F&A)
 S. K. Mukherjee, Managing Director (Tech.)

SENIOR EXECUTIVES

V. K. Talithaya, Vice President (P&A)
 J. C. Laddha, Asso. Vice President (Finance)
 Vimal Kejriwal, Asso. Vice President

ADVISORS

K. T. Krishnamurti
 C. O. Keswani

COMPANY SECRETARY

Vimal Kejriwal

REGISTERED OFFICE

Mudapadav, Kuthethoor P.O. Via Katipala,
 Mangalore - 574 149, Karnataka.

INVESTOR RELATIONS CELL

Arcadia, 7th Floor, 195 N. C. P. A. Marg,
 Nariman Point, Mumbai - 400 021.

AUDITORS

M/s. Lodha & Co., Chartered Accountants
 M/s. Sharp & Tannan, Chartered Accountants

SOLICITORS

M/s. Mulla & Mulla & Craigie Blunt & Caroe

BANKERS

State Bank of India	Canara Bank
Corporation Bank	Bank of India
Bank of America	Bank of Baroda
Punjab National Bank	Barclays Bank
Citibank N. A.	Vijaya Bank
ABN Amro Bank	HDFC Bank
Oriental Bank of Commerce	

REGISTRAR AND TRANSFER AGENTS

M/s. MCS Limited,
 Sri Venkatesh Bhavan,
 Plot No. 27,
 Road No. 11,
 M.I.D.C., Andheri (E),
 Mumbai - 400 093.

CONTENTS

PAGE NO.

Notice	2
Directors' Report	5
Auditors' Report	9
Balance Sheet	10
Profit & Loss Account	11
Schedules	12



The Chairman's Message

Since 1996 when MRPL went on-stream, this first joint venture refinery has been surging forward. Its production record has been and continues to be truly commendable. In 1996-1997, MRPL processed 2.806 million tonnes of crude oil, surpassing it this year by over one million tonnes by processing 3.953 million tonnes.

Our expansion project to enhance refining capacity from 3 MMTPA to 9 MMTPA and slated to be commissioned by 1999 will further shore up MRPL's position in this sector. Importantly the scaling up of capacity will render our refinery globally competitive.

While we are well on course to ensure our sustainable success, the future that is unfolding with regard to hydrocarbon sector offers new challenges, redrawing as it is its very map.

The first phase of deregulation has been set in motion. Private and Joint Sector refineries have been allowed to source their own crude and prices of some of the petroleum products have been decontrolled. Refinery profitability is now governed by the difference between Tariff Adjusted Import Parity Price for controlled products coupled with market determined prices for decontrolled products and the landed cost of crude oil. The Administered Price Mechanism which assured a post-tax return of 12 percent for refineries is passe.

These forward looking measures will undeniably make the industry more market-driven.

Short-term, these moves impact the earnings of our company, as margins come increasingly under pressure, however, with the commissioning of our expansion project, the situation will alter dramatically, with both turnover and profitability scaling new highs.

Our aggressive operational strategies, environment consciousness and organizational excellence will continue to assure for us a secure future. As we approach the new millennium, we look ahead with a clear sense of direction and the determination to be increasingly global. The future then for MRPL continues to be exciting.

Kumarmangalam Birla
Chairman



NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Members of Mangalore Refinery And Petrochemicals Limited will be held at the REGISTERED OFFICE OF THE COMPANY AT MUDAPADAV, KUTHETHOOR P.O. VIA. KATIPALA, MANGALORE 574 149 on 19th September, 1998 at 4.00 p.m. to transact with or without modifications as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account and Balance Sheet as at 31st March, 1998 and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri H. L. Zutshi who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Kumarmangalam Birla who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint Joint Auditors and to fix their remuneration and in this connection, to pass, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s. Lodha & Co., Chartered Accountants, Mumbai, and M/s. Sharp & Tannan, Chartered Accountants, Mumbai, the retiring Joint Auditors be and are hereby re-appointed as Joint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed between the Auditors and the Board of Directors of the Company for the said period."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as a Special Resolution:
 "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the other Statutes as applicable, and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:
 (a) In Article 2 being the Article dealing with Interpretation, the following new Interpretation Clauses be inserted, viz.:
 (i) after the existing interpretation of "The Board" or "the Board of Directors", the following shall be inserted, viz :

"Beneficial Owner"

"Beneficial Owner" shall have the meaning assigned thereto in Section 2 of the Depositories Act, 1996.

- (ii) after the existing interpretation of "Capital", the following shall be inserted, viz.:

"Depositories Act"

"Depositories Act" shall mean the Depositories Act, 1996 and includes where the context so admits, any re-enactment or statutory modification thereof for the time being in force.

"Depository"

"Depository" shall have the meaning assigned thereto by Clause (c) of Sub-section (1) of Section 2 of the Depositories Act.

- (iii) the interpretation of "Member" shall be replaced by the following:

"Member(s)" or "Shareholder(s)"

"Member(s)" or "Shareholder(s)" - unless otherwise provided, means the duly registered holder, from time to time of the Shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every person holding Equity Share(s) of the Company as also one whose name is entered as beneficial owner of the Shares in the records of the Depository.

- (b) The existing Article 15 be renumbered as Article 15(a) and the following new sub-clause be inserted as Article 15(b) :

"Option to Dematerialise Securities"

15(b). Notwithstanding anything contained in these Articles, the Company shall in accordance with the provisions of the Depositories Act, be entitled to dematerialise its Shares, Debentures and other marketable securities and to offer the same for subscription in a dematerialised form and on the same being done, the Company shall be entitled to maintain a Register of Members/Debenture holders holding Shares/Debentures both in material and dematerialised form in any media as permitted by law including any form of electronic media, either in respect of existing Shares or any future issue. Provided that, the provisions set forth in Articles 24 and 25 shall not apply to Shares which have been dematerialised.



- (c) At the end of Article 16 the following proviso be inserted:

"Provided however that the provision relating to progressive numbering shall not apply to the Shares of the Company which have been dematerialised."

- (d) After the existing Article 23, the following new Article 23A be inserted, viz :

"Company to recognise the rights of Registered holders as also the beneficial owners in the records of the Depository"

23A. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Share, as also the person whose name appears as the beneficial owner of the Shares in the records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not (except as ordered by Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such Share on the part of any other person whether or not it shall have express or implied notice thereof.

- (e) That after the existing Article 61, the following new Articles numbered as 61A and 61B be inserted:

"Articles 57, 58 and 61 shall not apply to Shares, Debentures or other marketable securities entered in the records of the Depository"

61A. Nothing contained in Articles 57, 58 and 61 shall apply to the transfer of Shares, Debentures or other marketable securities effected by the transferor and transferee, both of whom are entered as beneficial owners in the records of the Depository.

"Applicability of Depositories Act"

61B (i) In case of transfer of Shares, Debentures or other marketable securities where the Company has not issued any certificates and where such Shares, Debentures or securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply, and accordingly for the purpose of Article 60, the Depository

shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner, and who shall be deemed to be the transferor or the transferee as the case may be for the purpose of the said Article and other relevant provisions contained in this behalf in these Articles.

- (ii) In respect of the Shares, Debentures and other marketable securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, Sections 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, 1956, shall not apply."

Registered Office:
Mudapadav, Kuthethoor P.O.
Via. Katipala,
Mangalore 574 149.
Mumbai, 29th July, 1998.

By Order of the Board
VIMAL KEJRIWAL
Asso. Vice President and
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORMS SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.**
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 4 and 5 of the notice set out above is annexed hereto.
3. Members are requested to notify the change in address, if any, immediately to the Registrars, M/s. MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C., Andheri (E), Mumbai 400 093 quoting their Folio Numbers.
4. Members holding more than one Share Certificate in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant Share Certificates to the Registrars.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 1st September, 1998 to Tuesday, the 15th September, 1998 (both days inclusive).



ANNEXURE TO THE NOTICE

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

Item No. 4

Section 224A of Companies Act, 1956 provides for the appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors of a Company by a Special Resolution if the Company is one in which not less than 25% of the Subscribed Share Capital is held singly or in combination by the Public Financial Institutions, Government Companies etc. The shareholding of Hindustan Petroleum Corporation Limited, a Government Company, exceeds 25% of the Subscribed Capital of the Company and hence a Special Resolution is required for the re-appointment of Auditors.

As required by the above Section, M/s. Lodha & Co. and M/s. Sharp & Tannan, have forwarded their respective certificates to the Company stating that the re-appointment, if made, will be within the prescribed limits specified in Section 224(1B) of the Companies Act, 1956.

Item No. 5

Consequent upon the passing of the Depositories Act, 1996 and setting up of the National Securities Depository Limited (NSDL) and considering the benefits of scripless trading, the Company, with a view to provide better services to investors, has entered into an Agreement with NSDL to have electronic depository facilities for the Shares of the Company.

Certain provisions of the existing Articles of Association pertaining to the issue, holding, transfer, transmission and other dealings in Shares and other securities, as also issue of certificates, which were framed on the basis of the relevant provisions of the Companies Act, 1956 are being amended and new Articles are being inserted in view of the provisions of the Depositories Act, 1996, which have become applicable as a result of the introduction of the Depository system by the Company. The required amendments have been made so as to give effect to the legal and practical aspects of the Depository system and are self-explanatory. The Directors, in the circumstances, recommend the resolution in this item of the Notice for the approval of the Shareholders. A copy each of the Agreement entered into with NSDL and the existing Articles of Association of the Company will be available for inspection by any Member at the Registered Office of the Company between the hours of 10.30 a.m. and 12.30 p.m. on all working days, except Saturday, upto the date of the Annual General Meeting.

None of the Directors of the Company are, in any way, concerned or interested in the resolution.

Registered Office:

Mudapadav, Kuthethoor P.O.
Via. Katipala,
Mangalore 574 149.
Mumbai, 29th July, 1998.

By Order of the Board

VIMAL KEJRIWAL
Asso. Vice President and
Company Secretary



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Tenth Annual Report of your Company together with the Audited Accounts for the financial year ended on 31st March, 1998.

1. FINANCIAL RESULTS

	(Rs. in crores)	
	Year ended 31st March, 1998	Year ended 31st March, 1997
Turnover	1,354.34	1,159.47
Profit before Depreciation,		
Interest and Tax	554.16	529.78
Interest	392.69	308.22
Gross Profit/(Loss) after Interest		
but before Depreciation and Tax	161.47	221.56
Depreciation	129.67	117.74
Provision for Taxation	3.42	13.30
Profit after Tax	28.38	90.52
Less : Balance (Loss) brought forward	(-)	(8.57)
Profits available for Appropriation	28.38	81.95
Appropriations:		
Debenture Redemption Reserve	28.38	81.95

2. DIVIDEND

Although your Company has made profits, in order to meet the statutory requirements for creation of Debenture Redemption Reserve and to conserve funds for the growing requirements of the Company for expansion project/working capital, the Directors have not proposed any dividend for the year.

3. RETENTION MARGINS

MRPL was covered under the Administered Pricing Mechanism (APM). OCC has provisionally approved the release of 70% cost and margins for the year 1997-98 vide letter dated 09.07.97 based on estimated cost. The actual cost incurred by the Company are much higher than those estimated and therefore while finalising Accounts, margins have been adjusted to 100%. The provisional retention margins for the year 1996-97 based upon which the annual accounts for the year 1996-97 had been completed have also been revised provisionally by OCC vide letter dated 20.03.98. The Company has represented to the Ministry of Petroleum and Natural Gas (MOP&NG)/OCC to review the revised margins. Accordingly, no effect of the revisions for the year 1996-97 has been made in the accounts of the Company.

4. OIL BONDS

The Government of India has in March 1998 issued 10.50% Oil Companies' (Non-Transferable) Government of India Special Bonds, 2005 to the extent of Rs.1,242 crores to the Company in lieu of the amount receivable from OCC. The issuance of Oil Bonds is expected to help the Company in improving its cash flow and in reducing its interest cost which had increased substantially due to cash flow constraints faced by the Company on account of non receipt/delayed receipt of reimbursements from OCC.

5. DEREGULATION

The dismantling of the Administered Pricing Mechanism (APM) by the Government of India has commenced with effect from 1st April, 1998. The dismantling of APM is proposed to be done over a period of 4 years. The retention price mechanism applicable to the Refineries has been abolished with effect from 1st April, 1998. The ex-refinery price for controlled products such as Liquefied Petroleum Gas, Motor Spirit, High Speed Diesel, Superior Kerosene Oil and Aviation Turbine Fuel has been replaced by adjusted import parity prices. As regards the decontrolled products such as Naphtha, Furnace Oil, LSHS and Bitumen, their pricing shall depend on the market forces. The profitability of the Refinery would now be dependant on the international prices of crude and finished petroleum products, level of tariff protection, rupee-dollar parity, crude mix, inventory control, etc.

Considering the differential between the crude cost and the product prices being received by the Company, the profitability of the Company is expected to be under pressure because of high depreciation and interest costs till the expansion project for increasing the refinery capacity from 3 MMTPA to 9 MMTPA is completed next year.

6. OPERATIONAL PERFORMANCE

The operational performance of your Company has been very satisfactory. During the year 1997-98, the Company has processed 3.953 MMT of crude oil (previous year 2.806 MMT), produced 3.638 MMT of finished products (previous year 2.527 MMT) and has despatched 3.650 MMT of finished products (previous year 2.432 MMT).

7. EXPANSION PROJECT

The Company is implementing an expansion project for increasing the refinery capacity from 3 MMTPA to 9 MMTPA. The final Government approval for Hindustan Petroleum Corporation Limited's (HPCL) investment in the expansion of refinery capacity was received on 21st November, 1996. The expansion is expected to be completed within a period of 36 months from the above date. As per the appraisal done by Industrial Credit and Investment Corporation of India Limited (ICICI), the cost of the expansion project is estimated at Rs.3,690 crores.

A consortium comprising of Toyo Engineering Corporation, Mitsui & Co. Ltd. and Mitsubishi Corporation, Japan has been appointed as the Prime Management Contractor for implementing the expansion. Technology for the various process units has been supplied by the following reputed International Licensors:

Licensors

1. UOP I-A, USA
2. Kinetics Technology Inc., Netherlands
3. Kinetics Technology Inc., Italy
4. ABB Lummus/Shell, Netherlands

Process Units

Distillate Hydrocracker,
Continuous Catalytic
Regeneration Reformer,
LPG, Kerosene Treating Units
Hydrogen Unit

Sulphur Recovery Unit

Soaker Visbreaker Unit

The expansion project which is expected to be completed by November 1999 is on schedule. The Company has placed major