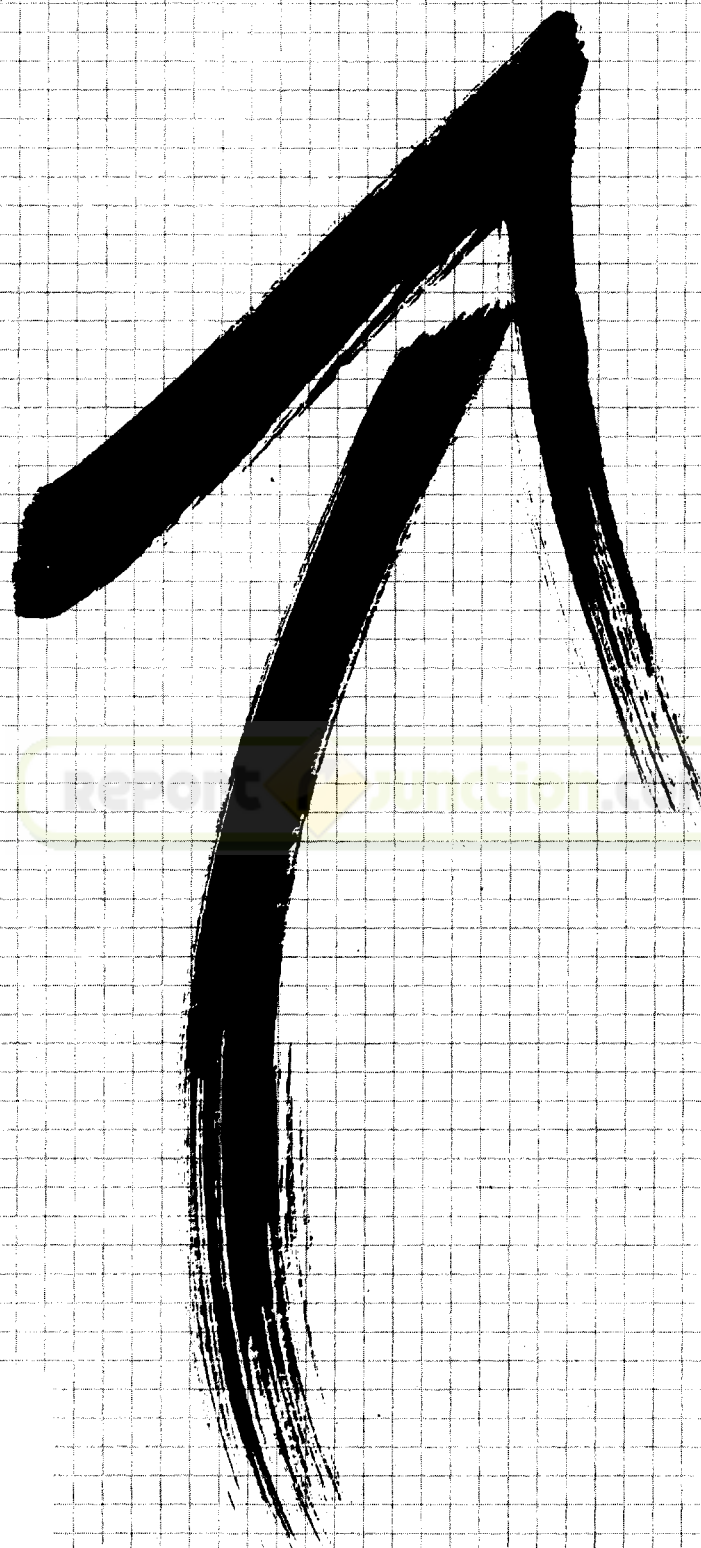


ANNUAL REPORT 2003 - 04



Mangalore Refinery and Petrochemicals Ltd.



16th Annual Report

BOARD OF DIRECTORS

Shri Subir Raha	Chairman
Shri R. S. Sharma	
Dr. A. K. Balyan	
Shri N. K. Mitra	
Shri A. Balakrishnan	
Shri C. N. Rao	
Shri M.P.Modi	Nominee of ICICI Bank Ltd.
Shri G. M. Ramamurthy	Nominee of IDBI
Shri Girish Dave	

SENIOR EXECUTIVES

Dr. C. M. Lamba, President (Projects)
Shri J. M. Gugnani, President (Marketing)
Shri P. K. Atreya, President (Operations)
Shri S. C. Tandon, Associate President (Refinery)
Shri R. K. Madan, Associate President (Business Development)
Shri V. K. Talithaya, Sr. Vice President (HR)

VICE PRESIDENT (FINANCE) AND COMPANY SECRETARY

Shri L. K. Gupta

REGISTERED OFFICE AND REFINERY SITE

Mudapadav, Kuthethoor P.O. Via Katipalla,
Mangalore - 575 030, Karnataka

INVESTOR RELATIONS CELL

Arcadia, 7th Floor, 195 N.C.P.A. Marg,
Nariman Point, Mumbai - 400 021.
E-mail : mrplbom@bom.mrplindia.com
Tel : 5639 3333
Fax : 5639 3355

AUDITORS

M/s. Varma & Varma , Chartered Accountants

SOLICITORS

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

BANKERS

State Bank of India
Canara Bank
Punjab National Bank
Bank of Baroda
Corporation Bank
United Bank of India
Citibank N.A.

REGISTRAR AND TRANSFER AGENTS

MCS Limited,
Sri Venkatesh Bhavan, Plot No.27,
Road No.11, M.I.D.C., Andheri (E),
Mumbai - 400 093.
Tel. No.: 2821 5235
E-mail: mcsmum@vsnl.com

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Mangalore Refinery and Petrochemicals Limited

DIRECTORS' REPORT FOR THE YEAR 2003 - 2004

Dear Members,

1. Your Directors are pleased to present the 16th Annual Report of your Company, together with the audited Accounts for the Financial year ended 31st March, 2004.

1.1 Financial Performance

	(Rs in million)	
	Year ended 31 st March, 2004	Year ended 31 st March, 2003
Turnover	126,122.24	85,807.77
Profit before Depreciation Interest and Tax	13,572.23	4,026.10
Interest and Finance Charges	3,734.17	5,670.73
Gross Profit /(Loss) after interest but before Depreciation and Tax	9,838.06	(1,644.63)
Depreciation and Amortisations	4,093.02	4,048.46
Provisions for earlier years claims	—	834.64
Provision for wealth Tax	0.24	0.11
Deferred Tax	1,150.65	(2,409.78)
Profit/(Loss) after Tax	4,594.15	(4,118.06)

1.2 OPERATIONAL PERFORMANCE

During the year 2003 - 2004, your Company, for the first time, has achieved its rated crude processing capacity of 9.69 million metric tonne (MMT) per annum. The refinery has processed 10.046 MMT crude oil achieving 104% capacity utilization (up 38.45% from 7.256 MMT), produced 9.352 MMT of finished products (up 39.60% from 6.699 MMT) and despatched 9.243 MMT of finished products (up 36.55% from 6.769 MMT).

The refinery has recorded its highest ever monthly throughput at 1.04 MMT (equivalent to 12.48 MMT on annualized basis) during March 2004.

2. REVIVAL OF MRPL

Your Company has earned net profit of Rs.4594.15 million as against net loss of Rs. 4,118.06 million in previous year, thus achieving a turnaround in the very first year after becoming a subsidiary of ONGC. Your Company is now no longer a potentially sick Company, as its accumulated losses have gone down below 50% of the net worth as on 31st March, 2004. Your company entered the elite club of top 30 Companies by Market Cap at The Stock Exchange, Mumbai (BSE) on 17th August, 2003.

3. DEBT RESTRUCTURING PACKAGE

- 3.1 Debt Restructuring Package negotiated by ONGC was fully implemented during the year.

- 3.2 As you are aware, your Company had an option under the DRP to prepay the Rupee Term Loans at any time without any prepayment premium. In exercise of this option, your Company has fully prepaid Rupee term loan facilities 'A' and 'B' and the existing outstanding of facility 'C' aggregating to Rs. 26,370 million, to the Financial Institutions and Banks during January 2004. For this purpose, ONGC had extended a term loan facility upto Rs. 26,000 million at Bank rate (presently 6% p.a.) as compared to the average interest rate of 9.15% p.a. under the DRP. This refinancing resulted in savings of Rs. 820 million p.a. During 2004-05 your Company has already began prepayment of the loan from ONGC and Rs. 4500 million have been prepaid in April-July period.

- 3.3 Your Company has prepaid the central sales tax deferral loans granted by the Government of Karnataka under Incentive package aggregating to Rs. 5,160 million at its net present value amounting to Rs. 2,610 million on 31st March, 2004.

4. MARKET CAPITALISATION

The Market Capitalisation of your Company on BSE touched Rs.1,00,000 million on 7th January, 2004. Equity shares of your company are now traded under 'A' category at BSE effective 1st March, 2004.

5. TRANSACTION COST

- 5.1 Pursuant to constitution of Empowered Standing Committee by the Ministry of Petroleum & Natural Gas, Govt. of India for procurement of Crude Oil, Crude sourcing is now directly managed by your Company resulting in reduced transaction cost. Your Company has entered into term contract with Saudi Aramco (National Oil Company of the Kingdom of Saudi Arabia) for import of 60000 barrels per day of Arab Mix crude oil. The term contract between Indian Oil Corporation (IOC) and National Iranian Oil Company for purchase of 5 MMTPA Iranian Crude for MRPL has also been assigned to MRPL w.e.f. 1st February, 2004, which will help saving of canalizing charges to the tune of Rs. 25 Million per year, besides availability of low-cost international funding for import of Crude Oil.

- 5.2 Your Company has entered into MOU with (the parent company) ONGC, for purchase of Mumbai High Crude at arms-length price with Most Favoured Customer status, which will ensure increasing availability of Mumbai High Crude to your refinery. The pricing formula for this crude for PSU refineries is advantageous as compared to similar imported crude.

- 5.3 Your Company has finalised a Contract of Affreightment (COA) for transportation of Iranian, Saudi and Nile Blend crude oil for a period of 12 months commencing from 1st April, 2004 at a competitive rate through Transchart, Ministry of Shipping, Govt. of India.

6. EXPORTS

Your Company exported products (Motor Spirit, Naphtha, Reformate, HSD, ATF, FO, LSHS worth Rs.44,775 million during the year (up 134.06% from Rs.19,130 million). Your Company is now eligible for the Super Star Trading House Status under Exim Policy of the Government of India.

7. MARKETING

- 7.1 Your Company has signed Memorandum Of Understanding (MOU) with Shell India Pvt. Ltd. and Essar Oil Ltd. for sale of Motor Spirit (MS), High Speed Diesel (HSD) and other products. MOUs are also in place with IOCL, BPCL & HPCL for product offtake ex-MRPL for 3 years commencing from 1st April, 2004. These arrangements will increase domestic sale of the products resulting into better margins.

- 7.2 The Ministry of Petroleum and Natural Gas has authorised your Company to market automotive transportation fuels in the country under its own name and logo through 500 Retail Outlets. Your Company is the sixth new entity to be granted such marketing rights. This opens up the potential for capturing higher value on the products of your refinery.

8. DISINVESTMENT OF ONGC'S EQUITY BY GOVT. OF INDIA

During the year, the Govt. of India disinvested 10% of its equity holding in ONGC. Govt. of India had reserved 14259330 equity shares representing 10% of the equity offer for the shareholders of MRPL and ONGC. This largest-ever equity offer from India was subscribed 5.88 times with bids exceeding US \$ 12 Billion. The overwhelming response to this mega - offer demonstrates the confidence of domestic as well as global investors in the ONGC Group.



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9. DIRECTORS

9.1 During the year, Shri R.C.Gourh, nominee Director of ONGC on MRPL Board retired on reaching the age of superannuation. Shri V.K. Sharma, nominee Director of ONGC, also retired on reaching the age of Superannuation on 31st May, 2004. ONGC has nominated Dr. A.K. Balyan and Shri N.K. Mitra as Directors on the Board of the Company. HPCL has nominated Shri Arun Balakrishnan and Shri C. N. Rao as Directors in place of Shri N. K. Puri and Shri C. Ramulu respectively. The Board recognizes the contributions of Shri R. C. Gourh, Shri V.K. Sharma, Shri N. K. Puri and Shri C. Ramulu.

9.2 In accordance with the provision of the Companies Act, 1956 and Articles of Association of the Company Shri C. N. Rao and Shri Girish Dave retire by rotation at the Sixteenth Annual General Meeting of the Company and being eligible, offer themselves for re - appointment.

9.3 Brief resume of the Directors seeking re - appointment, together with the nature of their expertise in specific functional areas and names of the companies in which they hold the directorship and the membership/chairmanship of committees of the board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Annexure to the AGM notice.

10. DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217 (2AA) of the Companies Act, 1956 your Directors state that :

- The Annual Accounts have been prepared in compliance of the applicable Accounting Standards together with proper explanations relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made reasonable and prudent judgements and estimates, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the Profit & Loss of the Company for that period;
- The Directors took proper and sufficient care for the maintenance of proper and adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts are prepared on a "going concern" basis.

11. FIXED DEPOSIT

The Company has not accepted any fixed deposit from the public.

12. AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). M/s Varma & Varma were appointed as Statutory Auditors of the Company for the Financial year 2003 - 2004.

13. AUDITORS' REPORT

The notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

14. CORPORATE GOVERNANCE

14.1 The Company has implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements. The Annual Report contains a separate section on the same.

14.2 As required under the said provisions, the Company has obtained the Certificate from the auditors of the Company which is annexed to and forms a part of the Annual Report.

14.3 The Management Discussion and Analysis Report forms a part of the Annual Report.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

15.1 The additional information required to be disclosed pursuant to the section 217(1)(e) of the Companies Act, 1956 read with the

Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in the 'Annexure I' forming part of this Report.

16. PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be shown in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

17. INDUSTRIAL RELATIONS

The industrial relations in your Company remained peaceful and harmonious, without any disruption in operations. The Agreement signed with MRPL Employee's Union for a period of 3 years w.e.f. 1.04.2001 has expired on 31st March, 2004; negotiations are under progress to reach fresh agreement.

18. COMMUNITY DEVELOPMENT

18.1 As in earlier years, this year also your Company had undertaken Community Development work in connection with up-gradation of rural schools, particularly in the Fishermen's village of Panambur, assistance for rural water supply (Rajiv Gandhi Water Supply Scheme), providing a Teacher for the Special School at Surathkal, etc. The cumulative amount spent on Community Development works, so far, is Rs. 27 million.

18.2 The MRPL School, which is affiliated to CBSE, continues to get a grant of about Rs.1 million from the Company and about 65% of the childrens studying in the school are from the neighboring areas. The Company incurs an amount of about Rs.880/- per child p.a. by way of education assistance irrespective of whether the childrens are from MRPL Employees family or from the neighboring areas.

18.3 MRPL Hospital continues to be open to the neighbouring areas at substantially concessional rates.

19. DELISTING OF SHARES

The Company had made application to Bangalore, Ahmedabad, Calcutta, Delhi and Madras Stock exchanges on 28th March, 2003 to seek delisting from these exchanges. The Company has received approvals for delisting of its securities from Bangalore, Delhi, Madras and Ahmedabad Stock Exchanges and accordingly the Company's Shares have been delisted from these Exchanges. The approval from Calcutta Stock Exchange is expected shortly.

20. ACKNOWLEDGEMENT

20.1 Your Directors wish to sincerely thank the Government of India (Gol), Ministry of Petroleum and Natural Gas (MOP&NG), Ministry of Finance (MOF), and other Ministries and Departments of Central Government and the Government of Karnataka for their valuable support and co-operation.

20.2 Your Directors recognise the continuing co - operation from the New Mangalore Port Trust, your promoter Companies and the Members of the Oil Industry.

20.3 Your Directors appreciate the support received from the Financial Institutions and Banks.

20.4 Your Directors recognise the support received from all other stakeholders viz. suppliers of crude oil and other inputs, vendors, contractors, transporters and others.

20.5 Your Directors thank the Shareholders for the confidence reposed by them in the Company.

20.6 Your Directors wish to place on record their sincere appreciation for the sustained and dedicated efforts put in by all the employees.

20.7 Finally, the customers. Your Directors recognise the patronage extended by the ever increasing circle of valued customers, and assure them the best satisfactions possible.

For and on behalf of the Board

(Subir Raha)
Chairman

Place: Mumbai
Date: 20th August, 2004

Mangalore Refinery and Petrochemicals Limited

ANNEXURE I TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2004.

A. CONSERVATION OF ENERGY

Company continued its emphasis in energy conservation through operational optimisation and continuous monitoring and implementing number of energy conservation schemes.

a) Major energy conservation scheme implemented during the year.

- i. Advanced Process Control in Crude Distillation Unit - 1 for yield and energy consumption improvement.
- ii. Steam optimisation of ejectors in vacuum system of Crude Distillation Unit-2.
- iii. Inter-connection of de-aerators resulting in saving of condensate and power.
- iv. Installation of energy saving transformer for plant area, street lighting of CDU / VBU / Mercox Units.

Estimated savings in energy consumption equivalent to fuel is 6100 MT/year of LSHS as a result of implementation of various improvement schemes.

b) Additional proposals related to energy conservation planned for implementation include -

- i. Inter-connecting of Hydrocracker stabiliser to avoid LPG flaring.
- ii. Hot feed to Gas Oil Hydrodesulphurisation Unit.
- iii. Installation of variable speed drives for selective MV and LT motors.
- iv. Advanced Process Control (APC) for Crude Distillation Unit No.2.
- v. Rain water harvesting.

Anticipated savings in energy consumption due to the above schemes is 14,000 MT/year of LSHS.

c) Fuel and Loss in the refinery for the year 2003-04 was 6.89 % wt on crude as compared to 7.68% wt in 2002-03. Also, specific energy consumption was 88.8 MTBU/BBL/NRGF for the year 2003 - 04 (which is the best figure ever achieved in the industry) as compared to 97.3 MTBU/BBL/NRGF in 2002 - 03.

d) Energy Conservation Award.

MRPL received second prize in the 14th Oil and Gas Conservation fortnight awards for 2004, in Furnace / Boiler efficiency category-2 (total heat recovery duty more than 400 MMKcal/Hr).

e) Total Energy Consumption and Energy Consumption per unit of production.

	2003-04	2002-03
a) Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Unit (Million KWH)	3.28	4.07
Total Amount (Rs.Million)	28.44	29.96
Rate / Unit (Rs. / KWH)**	8.67	7.36
** Expenditure towards electricity tax for own generation introduced w.e.f. 1.10.2003 not included.		
** Include Demand Charges of Rs. 13.98 million (Rs. 14.46 million for 2002-2003).		
The unit cost per KWH excluding Demand charges is Rs.4.41 for 03-04 and Rs.3.81 for 02-03.		
b. Own Generation		
i. Through Diesel Generator (at Sarpady)		
Unit (Million KWH)	1.79	0.22
Unit per ltr. of Diesel (KWH / ltr.)	3.37	3.41
Cost / Unit (Rs. / KWH)	6.21	5.26
ii. Through Steam turbine/generator		
Unit (Million KWH)	543.8	462.14
Unit per ltr. of Fuel Oil (KWH / ltr.)	2.20	2.08
Cost / Unit (Rs. / KWH)***	3.80	4.36
*** Cost/Unit includes Steam cost used in Refinery operation.		
2. Fuel Oil		
Quantity (M.T.) (Oil + Gas)	621662	480356
Total Amount (Rs.in million)	5433.33	4555.44
Average Rate (Rs./M.T.)	8740.02	9483.46
3 Others / Internal Generation		
Diesel (at Sarapady)		
Quantity (K.ltr.)	536.00	64.21
Total Cost (Rs.in million)	10.23	1.15
Rate (Rs. / K.ltr.)	19094	17941
b) Consumption per unit production		
Total Crude Processed (TPA)	10045554	7256478
Total Fuel Oil Consumed (TPA) ****	693829	557197
Total Electricity (KWH) (after deducting power to HGIL, BASF)	543660969	463095980
Fuel Oil Consumption / MT of Crude processed	0.0691	0.0768
Electricity Consumption KWH / MT of Crude processed	54.12	63.82
**** includes fuel and loss		



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B. TECHNOLOGY ABSORPTION

Research & Development:

1. Specific areas in which Research & Development (R&D) has been carried out by the company.
 - i) New value added products like LAB, ATF JP 5 & Diesel F-76 (US Mil grade) and Mixed Xylene.
 - ii) Evaluation of multi-functional additive for Motor Gasoline.
 - iii) Effect of Ethyl alcohol blending on vehicle Elastomer components.
 - iv) Acid Numbers and chloride of crudes.
2. Benefits derived as a result of the above Research & Development:
 - i) Study confirmed the possibility of producing new high value added products like LAB feed, ATF JP-5 and Diesel F-76 & putting up a Mixed Xylene unit.
 - ii) Based on the laboratory evaluation studies, effective additive was procured and being used in MS. Customer satisfaction in the use of MS product.
 - iii) Complaints were received from marketing oil companies regarding the failure of lip seals of petrol dispensing units due to Ethanol blending only with MRPL MS due to higher aromatics content of MS. Laboratory experiments revealed that the failure was due to impure ethyl alcohol. High moisture content in Ethyl alcohol was found responsible for the failure of lip seals of petrol dispensing units and not aromatic content. This was informed to Ministry of Petroleum and Natural Gas and Oil marketing companies for corrective action.
 - iv) Crudes from various sources with treatment and without treatment chemicals were checked for Acid numbers and Chloride content. Chloride content findings were helpful in the selection of proper treatment chemicals to reduce the chloride content in the crude to avoid refinery pipeline corrosion. Acid numbers were helpful in deciding the proper crude/ crude mix procurement suitable to available unit metallurgy.

3. Future Plan of action:

- i) To monitor the lubricity characteristics of Low Sulphur Diesel (<0.05%) from different sources of product streams and operating conditions. Also study with different Diesel Lubricity improver additives.
- ii) Study on modified Bitumen to produce Bitumen as per IS 73-1992 BIS specification.

4. Expenditure on R & D:

Capital : Rs. 4.23 million for 2003-2004

Recurring : Rs. 1.2 million

Total R & D expenditure as percentage on total turnover:

Negligible

5. Technology Absorption, Adoption & Innovation:

- i) Conversion of Kerosene Merox -1 unit to Light Naphtha Merox unit has been carried out in-house to satisfy customer's requirement of lower mercaptan content in MS product.
- ii) Special products like Reformate with stringent quality specifications were made by proper adjustment of cut-points.
- iii) Innovative methods of load shedding (during power/steam failure) have helped in avoiding total blackout.
- iv) Simultaneous production of different quality of products by innovative interconnections.
- v) All licensed technologies have been fully absorbed, from operational point of view.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2003-2004 (Rs. in million)	2002-2003 (Rs. in million)
Foreign Exchange Earnings (includes Exports of Rs.1,829.92 million (previous year Rs.383.98 million) through IOCL)	44,774.51	19,129.55
Foreign Exchange Outgo (excluding imports of crude oil through IOCL)	35,479.44	22,445.87

Mangalore Refinery and Petrochemicals Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY

- 1.1 The resurgent trend in Indian economy is visible from the healthy growth in demand of petroleum products, among other indicators. The decision of the Government of India to ban import of Kerosene (SKO) for parallel marketing had a salutary effect in curbing adulteration of diesel (HSD), as seen from the spurt in demand. Unfortunately, the subsidies in retail prices of LPG for household use and Kerosene for Public Distribution System (PDS) continue to be mis-used; subsidized LPG continues to be diverted for commercial, industrial and automotive use, and significant quantities of subsidized SKO continues to be diverted for adulteration of HSD.
- 1.2 India suffers from exceptionally high energy intensity. Notwithstanding the steep rise in international crude prices, there is no meaningful national effort in improving conversion efficiencies and conservation of petroleum products.
- 1.3 High Gross Refining margins in the Indian Refineries in the recent past are largely because of higher refining margins prevailing in the international market as well as the prevailing tariff and pricing frame-work of the industry. Such refining margins being only transient, we at MRPL lay more focus on cost effective and value additions in operations and investments.

2. REVITALISED MRPL

- 2.1 The speed, the quality and the impact of MRPL's turn-around are unprecedented in Indian corporate history. The refinery achieved 100% capacity utilization for the first time, and has been consistently operating well above the rated capacity. Against a loss of Rs.4,118.06 Million in previous years, MRPL registered net Profit after tax of Rs.4,594.15 Million in 2003-04. Of equal significance is the fact that your Company, which was about to file for bankruptcy under a crushing high-cost debt burden in the very recent past, is now repaying even low-interest loans extended by the parent Company, ONGC.
- 2.2 With better crude mix and higher efficiencies in operations and maintenance, the yield pattern has improved, resulting in improved profitability. Significant savings have been achieved on cost of crude. Better management of exports in co-ordination with the parent Company has improved realizations.
- 2.3 Domestic offtake from MRPL was constrained in 2003-04 due to the unreasonable stand of the PSU Oil Marketing Companies (OMCs) to restrict upliftment from MRPL to an adhoc norm of 6 MMT per annum refining capacity. The OMCs have now recognized the rated capacity of your refinery (9.69 MMTpa) for the Industry Logistics Plan, and correspondingly, domestic sales have increased with higher realizations.
- 2.4 Works on capital projects as well as on preventive maintenance have been accelerated. Your refinery has

recorded better energy efficiency than all other PSU refineries. With sustained focus on Health, Safety and Environment (HSE), MRPL has received 5 Star safety rating from the British Safety Council.

- 2.5 The proposal for formal classification of MRPL as a schedule 'B' PSU as well as sanctions for the posts of Managing Director and Director (Finance) remain under the consideration of the Government.
- 2.6 MRPL has received a licence from the Government to set up 500 Retail outlets. This programme is being coordinated with that of the parent company, ONGC.
- 2.7 The pay-roll employee strength was 932 as on March 31, 2004.

3. UNCERTAINTIES

- 3.1 Like all other refineries, the fortunes of your Company are tied with the volatility in international prices of crude and products.
- 3.2 Domestic sales contribute to the major part of the revenue of your Company. The state of the economy, therefore, influence the turnover and profitability.

4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has the required internal control systems and procedures. These ensure optimal use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors.

5. FINANCIAL PERFORMANCE

- 5.1 The refinery achieved crude thruput of 10.046 MMT during the year, up 38.45% from 7.256 MMT and produced 9.352 MMT of finished products, up 39.60% from 6.699 MMT. Turnover during the year was Rs.126,122.24 million (up 46.98% from Rs.85,807.77 million); this includes exports amounting to Rs.44,775 million (up 134.06% from Rs.19,130 million).
- 5.2 Excellent operating performance coupled with good refinery margins in second half of the year, availability of additional export benefits on incremental exports and one-time credit of Rs.2,560 million on prepayment of deferred sales tax to Govt. of Karnataka, substantially improved the financial performance of MRPL. Net profit was Rs.4,594.15 million against net loss of Rs.4,118.06 million in 2002-03.

6. CAUTIONARY STATEMENT

These discussions are "forward looking statements" within the meaning of the applicable laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.



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REPORT ON CORPORATE GOVERNANCE

1) CODE OF CORPORATE GOVERNANCE :

- Corporate Governance primarily involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders.
- Your Company has been emphasising on these basic corporate principles so as to continuously enhance the stakeholders value.
- Your Company has complied with all the requirements of the Corporate Governance Code.

2) BOARD OF DIRECTORS :

A) Composition and Category of Directors

Executive Directors : Nil
Non Executive Directors : 9

Director	Executive/ Non – Executive	Category	No.of other Directorship		No.of outside Committees	
			Public	Private	Member	Chairman
Shri Subir Raha	Chairman Non-Executive	Promoter Company's Director	2	—	—	—
Shri R.S. Sharma	Non-Executive	Promoter Company's Director	3	—	3	—
Dr. A.K. Balyan	Non-Executive	Promoter Company's Director	2	—	1	—
Shri N.K. Mitra	Non-Executive	Promoter Company's Director	1*	—	—	—
Shri Arun Balakrishnan	Non-Executive	Promoter Company's Director	2	—	1	—
Shri C. N. Rao	Non-Executive	Promoter Company's Director	—	—	—	—
Shri M.P.Modi	Non-Executive	Independent Director, ICICI Nominee	3	—	1	1
Shri G.M.Ramamurthy	Non-Executive	Independent Director, IDBI Nominee	2	—	2	—
Shri Girish Dave	Non-Executive	Independent Director	7	—	4	—

The Chairman of the Board is non-executive and hence 1/3rd of the Board comprises of independent directors.

* officiating Director (offshore) of ONGC

B) Attendance of Directors at the Board Meeting and last AGM

Director	No. of Board Meetings held during the year	No. of Board Meetings attended	Attended Last AGM
Shri Subir Raha	5	5	Yes
Shri R.S. Sharma	5	5	Yes
Dr. A.K. Balyan*	5	Nil	No
Shri N.K.Mitra **	5	Nil	No
Shri Arun Balakrishnan ***	5	Nil	No
Shri C. N. Rao ***	5	Nil	No
Shri M.P. Modi	5	4	Yes
Shri G.M. Ramamurthy	5	2	No
Shri Girish Dave	5	3	No
Shri R.C. Gourh (*)	5	4	Yes
Shri V.K. Sharma(**)	5	4	Yes
Shri N.K. Puri (***)	5	2	No
Shri C. Ramulu (****)	5	3	No
Shri S.T.Bambawale (****)	5	1	No

* Appointed as a director w.e.f. 22.06.2004

** Appointed as a director w.e.f. 30.07.2004

*** Appointed as director w.e.f. 14.05.2004

(*) Ceased to be a director w.e.f. 01.01.2004

(**) Ceased to be a director w.e.f. 31.05.2004

(***) Ceased to be a director w.e.f. 14.05.2004

(****) Ceased to be a director w.e.f. 30.09.2003

Mangalore Refinery and Petrochemicals Limited

C) Details of Board Meetings held

Date of meeting	Place
3 rd June, 2003	New Delhi
31 st July, 2003	New Delhi
30 th Sept, 2003	Mangalore
31 st October, 2003	New Delhi
30 th January, 2004	New Delhi

ii) Details of the Audit Committee Meetings held:

Date of Meeting	No. of Members Attended
3.06.2003	5
31.10.2003	4
30.01.2004	3

3) AUDIT COMMITTEE :

i) Composition of Audit Committee

The Audit Committee comprises of Non Executive Directors as follows:

1. Shri M.P.Modi - Independent Director
2. Shri G.M.Ramamurthy - Independent Director
3. Shri Girish Dave - Independent Director
4. Shri R.S.Sharma - Promoter Director
5. Shri C.Ramulu - Promoter Director (ceased to be director w.e.f. 14.05.2004)
6. Shri S.T.Bambawale (ceased to be a director w.e.f 30/09/2003)

Shri M.P.Modi, an independent director is the Chairman of the Committee. As per the provisions of Clause 49 of Listing Agreement atleast one director is required to have financial and accounting knowledge. Shri R.S. Sharma being a Cost Accountant is having financial and accounting knowledge.

Attendance in Audit Committee Meetings :

Director	No. of Meetings Attended
Shri M.P. Modi	3
Shri G.M.Ramamurthy*	Nil
Shri Girish Dave	3
Shri R.S.Sharma	3
Shri C.Ramulu **	2
Shri S.T. Bambawale***	1

* appointed as a member w.e.f. 31.10.2003

** ceased to be a director w.e.f. 14.05.2004

*** ceased to be a director w.e.f. 30.09.2003

iii) Terms of Reference:

The functioning and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

4) REMUNERATION COMMITTEE :

At present the Company has not constituted any remuneration committee. All the directors of the Company are non - executive directors. The Company does not have a policy to pay remuneration to its non-executive directors except sitting fees for the Committee and Board meetings. Sitting fees are only paid to the non - executive Independent Directors.

Details of remuneration to Directors:

Directors	Salary (Rs.)	Other allowances (Rs.)	Benefits (Rs.)	Stock options/Pension (Rs.)	Sitting fees (Rs.)	Total (Rs.)
Shri Subir Raha	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri R.S. Sharma	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Dr. A.K. Balyan	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri N.K. Mitra	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri Arun Balakrishnan	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri C. N. Rao	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri M.P.Modi	N.A.	N.A.	N.A.	N.A.	14,000	14,000
Shri G.M.Ramamurthy	N.A.	N.A.	N.A.	N.A.	6,000	6,000
Shri Girish Dave	N.A.	N.A.	N.A.	N.A.	12,000	12,000
Shri R.C. Gourh	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri V.K. Sharma	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri N. K. Puri	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri C. Ramulu	N.A.	N.A.	N.A.	N.A.	Nil	Nil
Shri S.T.Bambawale	N.A.	N.A.	N.A.	N.A.	4,000	4,000

Break up of fixed components and performance linked incentives with performance criteria : N.A.

Service Contract –notice period, Severance fees : N.A.

Stock Options details (if any) : N.A.

Whether issued at discount

Period over which it is accrued and is exercisable.

5) SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEES :

- i.) (a) The Company has constituted Shareholders'/ Investors' Grievance Committee to look into the redressal of shareholders' and investors' complaints. The composition of the Committee is as follows :-

- 1) Shri G.M.Ramamurthy – Chairman (Independent Director)
- 2) Shri R.S. Sharma – (Director)
- 3) Shri C. Ramulu – (Director) (ceased to be a director w.e.f. 14.05.2004)