

MRPL



Mangalore Refinery and Petrochemicals Ltd.
(a subsidiary of Oil and Natural Gas Corporation Ltd)

22nd ANNUAL REPORT
2009 - 2010



MRPL poised for a long term and far reaching association with STC, Mauritius, who have approached MRPL to partner setting up a refinery and a petroleum products hub in Mauritius



Shri U.K. Basu, MD, MRPL and Shri R.S. Soomarooah, GM, STC, Mauritius exchanging documents for renewal of contract signed on 1/7/10 for supply of petroleum products for 3 years at an estimated value of about 2 billion USD.



MRPL is conferred the award for the "Best Safe Refinery" for 3 consecutive years (2006-07 to 2008-09) among the Indian Refineries.



Shri U. K. Basu, MD, MRPL contributing ₹ 4.95 crore to Shri B. S. Yediyurappa, Hon'ble Chief Minister of Karnataka, towards Chief Minister's Calamity Relief Fund.



Shri Jitin Prasada, Hon'ble Minister of State, MoP&NG laying foundation stone for CDU/VDU unit at Mangalore



Shri S Sundareshan, Secretary, MoP&NG dedicating GOHDS unit to the nation.

Mangalore Refinery and Petrochemicals Limited

BOARD OF DIRECTORS

Shri R. S. Sharma	Chairman
Shri U. K. Basu	Managing Director
Shri D. K. Sarraf	Director (From 27/07/2010)
Shri L. K. Gupta	Director (Finance)(Upto 31/5/2010)
Dr. A. K. Balyan	Director (Upto 15/07/2010)
Shri Sudhir Vasudeva	Director
Shri V. K. Dewangan	Government Director (Upto 31/3/2010)
Shri Vivek Kumar	Government Director
Shri S. Roy Choudhury	Director (Upto 19/1/2010)
Shri K. Murali	Director (From 19/1/2010)
Shri G. M. Ramamurthy	Independent Director
Dr. A. K. Rath	Independent Director (From 16/02/2010)

COMPANY SECRETARY

Shri B. Sukumar

REGISTERED OFFICE

Mudapadav, Kuthethoor,
P.O Via Katipalla,
Mangalore-575030, Karnataka
Tel.No.: 0824-2270400
Website: www.mrpl.co.in

AUDITORS

M/s. S.R.R.K Sharma Associates,
Chartered Accountants

M/s. Maharaj N.R.Suresh & Co,
Chartered Accountants

SOLICITORS

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

CONTENTS

PAGE NO.

Directors' Report	2
Management Discussion and Analysis Report	11
C & AG's Comments	13
Auditors' Report	14
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules	28
Balance Sheet Abstract and Company's General Business Profile	34
Report on Corporate Governance	35
Report on Secretarial Audit	41
Notice for Annual General Meeting	43
Terms of Appointment of Managing Director	45

BANKERS

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

INVESTOR RELATION CELL

MRPL
LGF, Mercantile House,
15, K.G. Marg, New Delhi-110 001
Tel.: 011-23463100, Fax : 011-23463201
E-mail : investor@mrplindia.com

REGISTRAR AND TRANSFER AGENT

M/s. LINK INTIME INDIA PVT.LTD
C-13 Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (West),
Mumbai- 400 078
Tel.: 022-25963838 / 25946970
Fax : 022-25946969
Email : mrplirc@linkintime.co.in



Annual Report 2009-10

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 22nd Annual Report of the Company, together with the audited accounts for the financial year ended 31st March, 2010.

It is gratifying to note that your company has put in a very creditable performance in the background of the industry scenario, and the performance results of other peers. The Company has also created certain new benchmarks of excellence during the year under review. Some of the performance highlights are enumerated below:

- 1) Overall refinery performance was found to be qualified for "excellent" rating of MoU with Government of India.
- 2) Highest ever distillate yield of 72.8% at 12.5 MMTA operating level.
- 3) Lowest ever own fuel consumption with energy index of 58.27 MBN.
- 4) Highest ever product sales of 7.40 MMT in the domestic market.
- 5) Highest ever direct marketing sales of 800 TMT.
- 6) Highest ever products dispatched through Mangalore-Hassan-Bangalore pipeline of 2.485 MMT.
- 7) Achieved Gross Refining Margin of 5.46 \$/bbl despite low crack margins from the products in the International market.
- 8) Accident free operation of the refinery during the year achieving the safety record of 1002 days without any Reportable Accident and moving towards previous record of 1301 days.
- 9) Based on previous years consistent track record, name plate capacity of the refinery increased from 9.69 MMTA to 11.82 MMTA.
- 10) Commenced supply of BS-IV Grade petrol and diesel w.e.f. January 2010 in line with industry implementation programme.
- 11) The Company successfully completed the revamp of Gas Oil Hydro Desulphurization unit ahead of schedule and within budgeted cost. The same was commissioned and dedicated it to the Nation on 30.04.2010.
- 12) MRPL signed an MOU with Government of Karnataka for an investment proposal of ₹ 15,798 Crore comprising the Phase III Refinery Project and associated projects on 3rd June, 2010 at the Global Investors Meet held at Bangalore.
- 13) Your Company is the first refinery to begin processing the newly discovered highly viscous Rajasthan Crude 'Mangala' in October 2009.

1.1 FINANCIAL PERFORMANCE

	(₹ in Crore)	
	Year ended 31st March, 2010	Year ended 31st March, 2009
Turnover	36,081	42,719
Profit before Depreciation Interest and Tax	2,196	2,337
Interest and Finance Charges	115	143
Gross Profit after interest but before Depreciation and Tax	2,081	2,194
Depreciation and Amortisations	389	382
Profit Before Tax	1,692	1,812
Provision for Taxation	580	619

Profit after Tax	1,112	1,193
Balance of Profit/(Loss) brought forward from previous year	2557	1640
Surplus available for appropriation	3,669	2,833
Appropriations:		
Proposed dividend on Preference Shares (₹ 9,186)	0.00	0.00
Proposed Dividend on Equity Shares	210	210
Tax on Dividend	35	36
Transfer to General reserve	28	30
Balance carried to Balance Sheet	3,396	2,557
	3,669	2,833

1.2 DIVIDEND

Despite marginally lower Profit After Tax during the year (as compared to the previous year), the Board of the Company has decided to recommend a dividend payout of 12%. This will absorb ₹ 245 Crore including ₹ 35 Crore as tax on dividend.

1.3 OPERATIONAL PERFORMANCE

The Refinery throughput was 12.50 MMT crude oil (12.59 MMT) achieving 106 % capacity utilisation (107%). It may be noted here that Company has increased the nameplate capacity of the refinery from 9.69 MMTA to 11.82 MMTA based on a review of successful utilization of design margins available in the units over a period of 4 years, duly approved by the Board in their meeting held on 16.02.2010. The refinery produced 11.68 MMT (11.78 MMT) of finished products during the year.

Your Company has always focused on improving the domestic offtake and achieved highest domestic sales of 7.40 MMT (7.30 MMT). The focus has been to ensure uninterrupted product supply to the domestic segment which also gives better margin.

1.4 EXPORTS

The exports of Petroleum products (Motor Spirit, Naphtha, Mixed Xylene, ATF, HSD, VGO and FO) during the year amounted to ₹ 11041 Crore (₹ 11636 Crore) which represents about 37% (38%) of the total dispatches of 11.72 MMT (11.76 MMT).

As you are aware, your company had a long term contract upto July 2010 with State Trading Corporation (STC), Mauritius for supply of approx. one MMTA of petroleum products (MS, HSD, ATF & FO) which is the total requirement of Mauritius. The terms for renewal of the contract for a further period of 3 years has been finalized and the new Supply Agreement has been signed on 1.07.2010 which is effective 01.08.2010 till 31.07.2013. The contract envisages supply of 1.10 MMT per annum of Petroleum products during 2010-13 with +/- 10% at STC's, Mauritius option and the total value of this deal at current prices is about 2 billion USD.

The Company continues to be accredited with Premier Trading House Status (till March 2012) by Director General of Foreign Trade (DGFT), Government of India based on its export performance.

Mangalore Refinery and Petrochemicals Limited

Figures given in the bracket at para 1.3 & 1.4 relate to the previous year.

1.5 SAFETY PERFORMANCE

- Safety at MRPL has the constant support and commitment of the Top Management and incorporates the highest standards of safety amongst its employees and contract workmen. Periodic Audits (both External and Internal), Mock exercises (both Onsite & Offsite), regular training updates and a positive attitude towards safe work practices have ensured a safe and healthy work environment. All process plant modifications are verified through a Hazard and Operability Study (HAZOP) before implementation.
- The Refinery completed 1002 days without Reportable Lost Time Injury (RLTI) as on 31-03-2010 i.e., 6.93 Million Man hours without RLTI.
- In the year 2009, MRPL was adjudged as the 'Best Safe Refinery' for the three years (2006-07, 2007-08 and 2008-09) among the Indian Refineries and also adjudged as the second best safe refinery for the year 2008-09 by Oil Industry Safety Directorate (OISD).

1.6 ENVIRONMENT MANAGEMENT

In Environment Management, the company's Philosophy is to perform beyond Compliance - that is to perform better than minimum required by statutes. The refinery is certified with ISO 14001: 2004 for Environment Management Systems.

The following are some of the major new initiatives taken up by the company in addition to various other environment management measures done on a continuous basis including checking of Volatile Organic Compounds Emission at 38,000 points in the refinery and taking corrective measures therefor:

- Environment Impact Assessment including Risk Assessment for Quality Improvement Project (GOHDS revamp) and at operating level of 13.6 MMTPA of the refinery (considering current ongoing CDU – I revamp) conducted by M/s. National Environmental Engineering Research Institute (NEERI), Nagpur.
- Environment Clearance obtained from Ministry of Environment & Forests for Quality Improvement Project and operation of refinery at expanded capacity of 13.6 MMTPA during pre Phase III expansion project.
- An "Awareness Cum Interaction Programme" on Hazardous Waste (Management, Handling & Transboundary Movement) Rules 2008 jointly organized with Karnataka State Pollution Control Board for neighbouring industries.
- A Sulphur Pelletisation Unit is being installed to avoid Dust emissions in the Sulphur Recovery Unit.
- Microbiological study commenced for treated effluent by College of Fisheries.
- Work Environment Study is being carried out by Regional Labour Institute, Chennai to monitor the entry of harmful materials into the human systems at work place.

- Continuous Ambient air quality management system installed in the refinery to monitor the various pollutants SO₂, NO, NO₂, NO_x, H₂S, CO, SPM, RSPM, HC Methane, HC non – methane and Total HC. All pollutants are always well within the stipulated limit.
- Manual Stack Monitoring is carried out in all process units by M/s. Environment Management System, Mangalore.
- Bioremediation of 1000 MT oily sludge has been completed by The Energy and Resources Institute, New Delhi.

1.7 MARKETING

1.7.1 Direct Marketing:

The Direct marketing sales of the Company continued its growth during the year 2009-10. The Direct Marketing Sales including ATF and LSHS were up at 808.04 TMT as compared to last year sales of 775.37 TMT.

Bitumen group sales for 2009-10 were 345.24 TMT as compared to 328.48 TMT in 2008-09, with a growth of 5%. MRPL was successful in penetrating adjoining States of Tamilnadu, Kerala, Andhra Pradesh and Maharashtra.

1.7.2 Retail Operations:

MRPL continued to follow a non aggressive and cautious approach in marketing of HSD and petrol in view of the Government regulation in pricing. As of 1st April, 2010, MRPL is operating HiQ retail outlets one each at Maddur and Hubli in Karnataka. However, plans are in place to enter into Retail Operation with deregulation in prices and clearance from MoP&NG.

1.7.3 Joint Ventures in Marketing:

- 1.7.3.1 The joint venture of your Company with Shell B.V. Netherland viz., "Shell MRPL Aviation Fuels and Services Private Limited" for marketing of ATF to both Domestic and International airlines at Indian airports, achieved a operating profit of ₹ 145.45 Million (previous year operating loss ₹ 26.20 Million) and post-tax profit of ₹ 45.34 Million (previous year post tax loss of ₹ 44.75 Million) in its first full year of operation after wiping out the losses incurred in the previous year.

During the year, the sales under the Delivery Company (DELCO) model were 68,927 KL (previous year 35,517 KL). The company has fuelled 11,106 flights (previous year 4,598 flights). The market share during the year was 15.2% at Bangalore airport and 2.8% at Hyderabad airport.

Sales under the Contracting Company (CONCO) model were 3,43,133 KL (previous year 18,312 KL). The Airport Authority of India has accorded approval for Mobile Refueling operation at Mangalore, Goa, Calicut, Ahmedabad, Coimbatore and Trivandrum. The company is ready to commence its operation at Mangalore as soon as new terminal becomes operational.

- 1.7.3.2 As you are aware, your Company and Ashok Leyland Group had incorporated a joint venture company viz., "Mangalam Retail Services Limited" for creating one stop-shop commercial complexes in the highway segment, which were also to have Retail Outlets (RO) of your Company. As the entire business model is planned



Annual Report 2009-10

based on RO set up, this JV has not been able to make any progress as your Company had put on hold setting up of ROs to avoid adverse impact on margins.

2. AWARDS AND RECOGNITIONS

Your Company has received the following awards/ recognitions during the year:

- MRPL has been adjudged as the Most Safe Refinery for the Three years (2006-07, 2007-08 and 2008-09) by Oil Industry Safety Directorate (OISD), MoP&NG after evaluation of all the 17 PSU refineries in India.
- MRPL has also been conferred with 2nd Prize by OISD in the safe refinery category for the year 2008-09.
- MRPL is the Joint Winner in the Jawaharlal Nehru Centenary Award for Energy Performance of Refineries for 2008-09 in Group-1 category by Centre for High Technology (CHT), MoP&NG.
- MRPL has been rated 'Excellent' in MOU performance by ONGC for 2008-09.
- MRPL has been rated number one company in terms of turnover per employee on All India basis by Business Today magazine (BT 500 2009 edition).
- MRPL received "Certificate of Merit" on 18.02.2010 in the Best HR practices 2009 competition organised by National Institute of Personnel Management, Kolkata.
- MRPL has been conferred Export Excellence Award 2010 (Best Manufacturer Exporter Award) - Large Category - Gold by Federation of Karnataka Chambers of Commerce and Industry on 5.06.2010.
- MRPL secured the best export award in overall category "Silver" in the State Level Export Excellence Award for the year 2007-08 and 2008-09 from Government of Karnataka.

3. IMPROVED CREDIT PROFILE

- 3.1 Your Directors are pleased to inform you that ICRA Limited has reaffirmed Issuer Rating "IR AAA" (pronounced IR Triple A) to your company. This rating indicates the highest credit quality rating assigned by ICRA and the rated entity i.e., MRPL carries the lowest credit risk.
- 3.2 ICRA has reaffirmed "LAAA" (pronounced L Triple A) the highest credit quality rating under ICRA's long term rating scale for ₹ 900 crore Fund Based Working Capital Limit of MRPL.
- 3.3 ICRA has also reaffirmed the "A1+" (pronounced A one plus), the highest and relatively stronger credit quality rating under ICRA's short Term rating scale for Rs.5,500 crore Non-fund Based Limit of MRPL.
- 3.4 CRISIL has reaffirmed the "CCR AAA" (pronounced "CCR Triple A") rating indicating highest degree of strength with regard to honouring debt obligations.

4. PROJECTS

4.1 Phase III Refinery Project :

As you are aware, your company is currently implementing Phase III Refinery Project with an objective of increasing profitability by

increasing the refining capacity to 15MMTPA, to process more of low price high Sulphur/high acid heavy crude oils, increasing the distillate yield by upgrading low value black oils, producing value added products like Polypropylene and upgradation of its total diesel pool to superior (Euro III/IV) grade. The estimated cost of the project is ₹ 12160.26 Crore.

Orders have been placed for all the units like PFCC, SRU & PPU, Captive Power Plant (CPP), Hydrogen & DHD Units, CHT, DCU etc. as well as all utility packages like Nitrogen, Compressed Air, Raw Water, Cooling water DM water and Waste Water Treatment Plant. The total value of orders placed as on 15.07.2010 is ₹ 9703 Crore.

The implementation is progressing satisfactorily. The Project has achieved a progress of 51.2% as on 15.07.2010. The project is expected to achieve the mechanical completion by October 2011 as planned and commissioning in phases by end of financial year 2011-12.

4.2 Polypropylene Project

As you are aware that company has been setting up Polypropylene unit integrated with the Phase III project at an estimated capex of ₹ 1803.78 Crore. M/s. Engineers India Limited (EIL) has been engaged to implement the project under Open Book Execution (OBE) methodology. M/s. Novelene Technology, Germany have been selected as licensor for the project. The project is expected to achieve mechanical completion by April 2012 as planned.

4.3 SPM project

As reported last year, the Company is proposing to set up a Single Point Mooring (SPM) facility in the sea of Mangalore Port area with an objective to receive crude in (very large crude carrier) VLCC tankers. The same facility can also be used for receipt of crude for Indian Strategic Petroleum Reserves (ISPRL) being set up by Government of India at Mangalore very near to our refinery. The draft DFR has been received from M/s. Consulting Engineering Services (I) Pvt. Ltd. and M/s. SBI Capital Markets Ltd. have done an independent financial appraisal of the Project. The estimated project cost is ₹ 1170.59 Crore.

M/s. Indian Strategic Petroleum Reserves Ltd., (ISPRL) is setting up Crude Oil Storage Cavern of 1.5 MMT at Mangalore. The SPM project envisaged utilizing a part of the ISPRL Mangalore Cavern for receipt and intermediate storage of Crude oil on proportionate cost sharing basis. The environment clearance from Ministry of Environment and Forest (MoEF), Government of India and clearance from Ministry of Shipping is expected shortly. The SPM project proposal has been approved by MRPL Board and is being taken up for approval by the Board of ONGC. The project is targeted to be completed by May 2012.

4.4 Internal Projects :

GOHDS Revamp :

GOHDS Revamp was taken up to increase the capacity of GOHDS by 30% and for up-gradation of quality with respect to Sulphur content meeting Euro IV Standards.

This project was originally scheduled to be completed by August 2010. Subsequently, it was decided to complete it by end March 2010 advancing the completion by nearly 5 Months. This

Mangalore Refinery and Petrochemicals Limited

advancement was planned to meet the requirement of Euro IV norms for fuels in the major cities from 01/04/2010 onwards as per the directives of the Supreme Court.

The revamped GOHDS unit was successfully completed on 10.04.2010 and was dedicated to Nation by the Secretary, Petroleum and Natural Gas, GoI on 30.04.2010.

CDU / VDU1 REVAMP :

This Project is for enhancing the CDU / VDU Phase 1 unit capacity by 30% on substantial basis with improvement in yield with better energy efficiency. The Basic Engineering was done by M/s.EIL who are the suppliers of Basic Engineering & Detailed Engineering for the original unit. Project Management Consultant (PMC) for the project is M/s. Uhde India Pvt. Ltd. (UIPL). The LSTK Contractor is M/s. Toyo Engineering India Ltd. The contractual completion schedule is March 2011. The implementation is ahead of schedule and the progress achieved as on 20/07/2010 is 57% as against the scheduled 49%.

TANKAGES :

With a view to improving the flexibility in operations, the construction of the following tanks have been completed during the year:

- | | | | |
|----|-------------------|---|-------------------------------|
| 1) | 2 Diesel Tanks | - | 12300 m ³ Capacity |
| 2) | 1 Kerosene Tank | - | 1790 m ³ Capacity |
| 3) | ATF tank | - | 3500 m ³ Capacity |
| 4) | Mixed Xylene tank | - | 5000 m ³ Capacity |

SULPHUR PASTILLATION UNIT (SPU) :

SPU Project is mechanically completed. Instrumentation jobs with respect to panels have also been completed. Conveyor erection job by M/s. Cobit is at the completion stage. Plant is under commissioning which is expected to be completed by last week of July 2010.

4.5 Aromatics Complex

As you are aware that the ONGC Mangalore Petrochemicals Ltd (OMPL) has been jointly promoted by ONGC and MRPL with 46% and 3% equity holding for implementing the Aromatics Project to produce Paraxylene and Benzene, value added products, using Naptha feedstock from MRPL at Mangalore Special Economic Zone (MSEZL). MSEZL has already allotted requisite land and site grading activity are in advanced stages. M/s. UOP, USA are the Technology Licensors for the project and M/s. Toyo Engineering (India) Ltd are the Project Management Consultants. The project cost is estimated at ₹ 5,750 crore. The company has already achieved financial closure and tied up debts for ₹ 3,758 crore. The company has awarded major contracts for its Process units with M/s. L & T Ltd for ₹ 2,035 crore and for Power Plant (CPP) with M/s. Thermax Ltd for ₹ 588 crore on Lumpsum Turnkey (LSTK) basis. Further the company has awarded contracts on LSTK basis for DM Plant, Cooling water system, Storage tanks, Plant Communication System etc. Company is in the advanced stage of finalizing LSTK contracts for Raw Water System, Effluent water system etc. The mechanical completion of the project is expected in end November 2012 and commercial production is expected in February 2013. The company is also in the process of selection of offtakers for its product with reputed companies.

5. BARMER CRUDE

Your company was the first refinery to begin processing the newly discovered and highly viscous Barmer Crude in October 2009. During the financial year 2009-10, the company received 0.2 MMT of Rajasthan crude as per Government allocation.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AND PARTICULARS OF EMPLOYEES

The additional information required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings & outgo is given in 'Annexure - I' which forms part of this Report.

7. PARTICULARS OF EMPLOYEES

The particulars 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 with respect to particulars of employees are furnished in Annexure. However in terms of proviso (b) (iv) of Section 219 (1) of the Companies Act, 1956, the above annexure which is not sent with the accounts will be available for inspection by the members at the Registered office of the Company during working hours for a period of 21 days before the date of AGM. Any member who is interested to obtain such particulars may write to Investor Relations Cell of the company at Delhi.

8. HUMAN RESOURCES

- During the year 2009-10, the Company continued to enjoy cordial and harmonious relations with the collectives and as an evidence of the same, not a single man-hour was lost on account of any industrial disturbance during the entire year.
- The Long Term Settlement (LTS) with the Employees Union came to an end on 31st March, 2007. Negotiations for the fresh LTS are in progress.
- As regards the pay revision for Board level and below Board level executives which was due from January 01, 2007, based on the approval of the Board for implementation of pay revision as per the Department of Public Enterprises, Government of India, (DPE) Guidelines and taking into consideration the Presidential Directives issued by the Ministry of Petroleum and Natural Gas for implementation of the pay revision, your Company has implemented the same.
- The Company recruited 75 employees during the year 2009-10. Out of these, 11 belonged to Scheduled Caste (SC), 2 belonged to Scheduled Tribes (ST), 15 from Other Backward Classes (OBC) and 15 women employees were recruited.
- The number of employees as on March 31, 2010 was 1312, including 72 women employees. The number of employees belonging to SC, ST & OBC categories were 75, 24 and 321 respectively.
- During the year 2009 - 2010, Company devoted 2887 man-



Annual Report 2009-10

days for Training, Development and Learning which amounts to an average of 2.2 man-days per employee. This included functional, developmental and special training programs covering the entire spectrum of employees.

9. OFFICIAL LANGUAGE:

MRPL is implementing Official Language Policy in letter and spirit as per the Annual Programme prescribed by the Department of Official Language, Ministry of Home Affairs, Govt. of India. In order to propagate Hindi among the employees, Hindi Workshops are organised on a regular basis at Mangalore, Mumbai and Bangalore Offices. Regular Hindi classes for Prabodh, Praveen & Pragya are being conducted for employees. In order to increase the correspondence in Hindi, by the employees, special efforts were made to install Hindi software on the computers and nearly 88% computers are installed with Hindi software APS 2000++. To motivate employees who pass final Hindi examinations, Incentive schemes are introduced such as Cash award and Personal Pay.

For promoting the use of Hindi, Hindi Fortnight was celebrated and many Hindi competitions such as Hindi Essay, Dictation, Translation, Songs, Extempore speech etc. were conducted for the employees, their children and family members in the month of September 2009. Competitions are also held in Hindi for employees and their family members during National Safety Day, Environment Day and Vigilance awareness week. Official Language inspections of internal departments and subordinate offices were carried out. Special awards were given to the three toppers of MRPL School children who stood first three in the public exam of class X in Hindi language.

MRPL participated at Town Official Language Implementation Committee (TOLIC) level Hindi competitions and won thirteen prizes and stood First at TOLIC level competition. Quarterly, Half yearly and Yearly reports are sent to all the controlling Agencies/ Departments / MoP&NG on time by highlighting the progress made in promotion of Hindi in the company. Hindi Hasya Kavi Sammelan was organised on 10.2.2010. Six National level Hindi humour poets participated in the programme. As per Official Language Rule, Official Language Implementation Committee (OLIC) meeting was conducted in all the four quarters under the Chairmanship of Managing Director. All out efforts are being made to promote Hindi in the company.

10. VIGILANCE FUNCTION:

Vigilance awareness and preventive vigilance activities were continuously carried out during the year by surprise inspections, Intensive type detailed examination, study of major work orders / purchase orders. Deemed single tenders, tenders on nomination basis were selectively taken for scrutiny.

Transparency initiatives leveraging technology in MRPL had been one of the major achievements of Vigilance department. During the year Vigilance has played a major catalytic role in introducing technology leverages in the company on core areas.

Vigilance Awareness Week was observed to educate employees and to have preventive vigilance through awareness programme conducted from 03.11.2009 to 07.11.2009 in Mangalore and MRPL offices at Bangalore, New Delhi and Mumbai with a theme

“Preventive Vigilance”. Evolution and role of vigilance was duly explained to the participants with special emphasis on Whistle Blower Policy. Programmes including quiz, elocution etc. for employees were also conducted. The Managing Director administered oath to all officers on 03.11.2009.

Various competitions viz., Essay competition, Quiz competition, Poster competition, Slogan competition on the Theme “Preventive Vigilance” were held for employees.

Various educative lecture programme conducted for newly appointed graduate engineer trainees on “Facets and role of Vigilance”.

With thrust on technology as an effective preventive role Vigilance department impressed upon various functions to automate towards transparent and smooth transaction which reduced human interface as per CVC guidelines. With constant follow up with management team the initiatives were taken in the areas of E-payment, E-procurement, Bio metric identification and technology based solution for personal facilities like canteen have been top objective towards improving Vigilance administration by leveraging technology. E-procurement through Reverse Auction was commenced and continued during the year.

Keeping in view the requirement of Clause 49, company has formulated and put in place a Whistle Blower Policy.

11. SECURITY MEASURES

11.1 CISF Induction:

As reported last year, the management has decided to induct Central Industrial Security Force (CISF) to guard the Refinery. Sanction has been obtained from Ministry of Home Affairs for 200 CISF personnel and the first batch of 122 is expected to join anytime from now. All gates and access control to the Refinery will be handed over to CISF. Security of township, NMPT oil jetties, Sarapady Pump House will be looked after by the in-house Security department with contract security personnel.

11.2 CCTV Surveillance:

Complete area of the Refinery is covered by state of the art CCTV Network. Few cameras are netted with OFC cables and rest of them are working on wireless technology. CCTV network is designed to cover all the access control gates and other strategic locations. The CCTV surveillance is going to be further more strengthened by installing 10 more cameras shortly.

11.3 Access Control:

Access to Plant area will be better controlled by New Plant Gate which is segregating Plant and Nonplant area. This gate will have additionally X-Ray baggage screening machines and Multizone door frame metal detectors for frisking and searching. This gate will also have turnstiles integrated with biometric punch card system for strict access control as well as to prevent un-authorised entry.

11.4 IB Recommendations:

Intelligence Bureau (IB) visits once in every two years to inspect Security arrangements, identify grey area, and to recommend/suggest improvements. IB last visited MRPL during Sep 2008 and is expected

Mangalore Refinery and Petrochemicals Limited

to visit this year. Out of the 27 recommendations, 21 have already been complied and actions with regard to compliance of remaining 6 recommendations are in progress.

11.5 Internal Security Audit – ONGC:

Besides IB, ONGC carries out Security Audit of MRPL internally. Their recommendations are being implemented.

11.6 Mock Drills:

Regular mock drills are conducted exclusively on Security. District level security exercises are conducted alongwith State police and Coast guard. Recently, Coast guard and State police conducted a mock exercise 'SAGAR KAVACH', by involving various industries including MRPL in the coastal belt.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As a socially responsive organisation, the Company is committed to the well being of the communities around the refinery area and with this objective, it has taken up a number of schemes/developmental activities during 2009-10. The expenditure incurred on CSR activities during the year was ₹ 12.54 Crore (₹ 4.21 Crore in previous year) in the core areas viz., Education, Health & Sanitation, Infrastructure, SC / ST Development Scheme, MRPL Rehabilitation Colony, Women Empowerment Programme. The company had contributed ₹ 4.95 Crore to Chief Minister's Calamity Relief Fund towards construction of houses in flood affected Devadurga Taluka of Raichur Dist. This is in addition to ₹ 50 lakhs contributed to the Chief Minister's Calamity Relief Fund earlier.

13. DIRECTORS

- 13.1 HPCL has nominated its Director (Refineries), Shri K. Murali on the Board of MRPL on 19.01.2010 in place of Shri S. Roy Choudhury. Shri K. Murali is a Chemical Engineer by profession having 30 years of rich experience in HPCL in the various areas of refinery.
- 13.2 Shri V. K. Dewangan, Director MoP&NG on completion of his tenure with Gol had resigned on 31.03.2010.
- 13.3 Shri L. K. Gupta, Director (Finance), MRPL resigned from the Company and Shri U. K. Basu, Managing Director has assumed additional charge of Director (Finance) w.e.f. 31.05.2010.
- 13.4 Dr. A. K. Balyan, Director resigned on 15.07.2010 from the Board of MRPL /ONGC consequent to his selection and appointment as MD & CEO, Petronet LNG Ltd.
- 13.5 The Board wishes to place on record its appreciation for the services rendered by Shri S. Roy Choudhury, Shri V. K. Dewangan, Shri L. K. Gupta and Dr. A. K. Balyan during their tenure as Directors on the Board of the Company.
- 13.6 Government of India has appointed Dr. A. K. Rath, Independent Director on the Board of your company effective 16.02.2010. Dr. Rath, a doctorate in Business Administration and IAS Officer (1973 cadre), carries with him over 37 years of experience in various Ministries of Central /State Government. Dr. Rath is currently

Professor and Chair of the Public Policy and Management Programme at MDI, Gurgaon.

- 13.7 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Dr. A. K. Rath shall hold office upto the date of the Annual General Meeting. The company has received notice from a shareholder proposing his name to the office of the Director at the ensuing AGM.
- 13.8 ONGC has nominated its Director (Finance), Shri D. K. Sarraf on the Board of MRPL on 27.07.2010 in place of Dr. A. K. Balyan. Shri D. K. Sarraf is an Associate Member of Institute of Cost & Works Accountants of India and the Institute of Company Secretaries of India having 30 years of experience in Oil Industry.
- 13.9 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri D. K. Sarraf and Shri Vivek Kumar will retire by rotation at the 22nd Annual General Meeting of the Company. Shri D. K. Sarraf and Shri Vivek Kumar, being eligible, offer themselves for re-appointment.
- 13.10 Brief resume of the Directors seeking appointment / re-appointment, together with the nature of their expertise in specific functional areas, the names of the companies in which they hold the directorship and the membership /chairmanship of committees of the Board, and their shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Annexure to the AGM notice.
- 13.11 You might be pleased to note that a Director (Technical) position has been approved by the Government of India. Accordingly, Director (Technical) has been shortlisted by the PESB after selection process and his letter of appointment is awaited. As regards filling up of the position of Director (Finance), Company has taken up with MoP&NG for initiating the action on a fast track basis.
- 13.12 The Company continues to pursue with the Government of India (Ministry of Petroleum & Natural Gas) for appointment of requisite number of Independent Directors on the Board of the Company pursuant to the provisions of the Listing Agreement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
- ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to, give a true and fair view of the state of affairs of the Company at the end of the financial year viz., 31st March, 2010 and of the Profit & Loss of the Company for the year ended on that date;
- iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;



Annual Report 2009-10

- iv) They have prepared the Annual Accounts of the Company on a going concern basis.

15. FORFEITURE OF SHARES

In the public issue of PCDs / NCDs made by your company in May 1992, some of the shareholders had not paid allotment / call money on the shares allotted to them inspite of several reminders from the company.

After following the due procedure, your Board of Directors at their meeting held on 19.01.2010 forfeited 3,03,550 Equity shares pertaining to 1638 shareholders for non-payment of allotment / call money arrears. The Stock Exchanges and the defaulted shareholders were advised on the forfeiture of the shares. The forfeited shares have been cancelled and accordingly the paid-up equity capital of the company as on 31.03.2010 stands revised at ₹ 1752,59,87,770.

16. FIXED DEPOSIT

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

17. CORPORATE GOVERNANCE

- 17.1 The Company has complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements, except with the requirement of number of Independent Directors on the Board of the Company. Your Company is pursuing with the Administrative Ministry, MoP&NG for appointment of additional Independent Directors on the Board. The Annual Report contains a separate section on Corporate Governance.
- 17.2 Your Company is listed with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
- 17.3 As required under Clause 49 of the Listing Agreement with Stock Exchanges, your Company has obtained the Certificate from the Auditors of the Company, for Compliance of Corporate Governance which is annexed to and forms part of the Annual Report.
- 17.4 As a measure of good corporate governance, your Company has voluntarily taken up Secretarial Audit for the year 2009-10 and a Report obtained from M/s. Rathii & Associates, Practising Company Secretaries is annexed to this Annual Report.
- 17.5 The Company has also complied with the voluntary guidelines of DPE except with regard to appointment of required number of Independent Directors and pre-approval of related party contracts by the Audit Committee. DPE has since modified the guidelines and made it mandatory for the year 2010-11 onwards. The review of related party contracts is retained after deleting the requirement of pre-approval.
- 17.6 As you are aware that MRPL Secretarial Department has been accredited with ISO 9001 : 2008 certificate on 12.05.2009 by M/s. Bureau Veritas Certification India (P) Ltd (BV). The certificate is valid till May, 2012 and BV will conduct yearly surveillance audit for two years. Accordingly, the first surveillance audit was conducted by M/s. BV on 07.05.2010 and confirmed the continuation of ISO 9001 : 2008 accreditation to the Secretarial Department.
- 17.7 The Management Discussion and Analysis Report forms part of the Directors' Report annexed as Annexure-II.

18. AUDITORS

- 18.1 M/s. S.R.R.K. Sharma Associates, Bangalore and M/s. Maharaj N. R. Suresh & Co., Chennai have been appointed as joint Statutory Auditors of the Company for the Financial Year 2009 - 10 by Comptroller & Auditor General of India (C&AG).
- 18.2 The report of the C&AG at Annexure III forms part of this Report. You will be pleased to note that your Company has got a "NIL" comments Certificate from C&AG for the 8th year in a row.
- 18.3 As per the requirement of Central Government and pursuant to Section 233B of the Companies Act, 1956, the cost accounts maintained by the Company are being audited by Cost Auditors. M/s. JV Associates have been appointed as Cost Auditors for the year 2009-10 with approval of Ministry of Corporate Affairs, Government of India.

19. ACKNOWLEDGEMENT

- 19.1 Your Directors sincerely thank the Government of India (GoI), Ministry of Petroleum and Natural Gas (MoP&NG), Ministry of Finance (MoF) and other Ministries and Departments of the Central Government and the State Government of Karnataka, Andhra Pradesh, Tamilnadu and Kerala and District Authorities at Mangalore for their valuable support and continued co-operation.
- 19.2 Your Directors gratefully acknowledge the support and direction provided by the parent company, ONGC.
- 19.3 Your Directors wish to thank the shareholders for the continued confidence reposed on the Management and the Company.
- 19.4 Your Directors acknowledge the continuing co-operation and support received from New Mangalore Port Trust, Financial Institutions, Banks and all other stakeholders such as suppliers of crude oil and other inputs, vendors, contractors, transporters and others.
- 19.5 Your Directors recognize the patronage extended by the valued customers for the products of the company and promise to provide them the best satisfaction.
- 19.6 Your Directors wish to place on record their sincere appreciation of the sustained and dedicated efforts put in by all the employees collectively and concertedly as a Team.
- 19.7 The company salutes its visionary Shri Subir Raha, former Chairman and Managing Director of ONGC Group Company who passed away on 1st February, 2010. He was the person who visualized as early as in 2003 that MRPL will one day touch the sky with glory. True to his dream, MRPL has grown and created many records of excellence in all the spheres of its operations and the graphs of the performance has been only going upwards. It is he who made the miracle of a PSU company turning around a private sector company. MRPL was turned around in just one year by ONGC. After takeover by ONGC in the year 2003, MRPL has not looked back and continues to aim and achieve new heights.

For and on behalf of the Board

(R. S. SHARMA)
Chairman

Place: New Delhi
Date: 31st July, 2010