

*Upgrading
to Win*





Shri A. K. Hazarika, Chairman, MRPL receiving Petrofed certificate for "Refinery of the year - 2010" Award and Shri P. P. Upadhy Director (Tech.), receiving Petrofed Trophy from Shri Jaipal Reddy, the Hon'ble Minister of Petroleum and Natural Gas, Shri Sudhir Vasudeva, Director (MRPL) and Shri R.S. Butola, Chairman, Petrofed, were also present.



Shri U.K. Basu, Managing Director, MRPL, Receiving "Oil & Gas Conservation Award-2010" for Furnace/Boiler Efficiency instituted by Center for High Technology



CSR Initiative :- Distribution of tricycles to the disabled at MRPL Employees Club.



CSR Initiative :- Stich craft training is in motion at Sarapady village. More than 45 ladies are undergoing this training.

Mangalore Refinery and Petrochemicals Limited

BOARD OF DIRECTORS

Shri A. K. Hazarika
Shri U. K. Basu
Shri P. P. Upadhyaya
Shri Vishnu Agrawal
Shri D. K. Sarraf
Shri Sudhir Vasudeva
Shri Vivek Kumar
Shri K. Murali
Dr. A. K. Rath
Shri B. Ravindranath

Chairman
Managing Director
Director (Technical)
Director (Finance)
Director
Director
Director
Director
Independent Director
Independent Director

COMPANY SECRETARY

Shri Dinesh Mishra

REGISTERED OFFICE

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

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SOLICITORS

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

AUDITORS

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

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

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

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REGISTRAR AND TRANSFER AGENT

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L.B.S Marg, Bhandup (West),
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DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors, I take pleasure in presenting the 23rd Annual Report on the performance of your company, together with the audit report and audited account for the year ended 31st March, 2011.

It is a matter of immense satisfaction that the performance on Fiscal and Physical parameter of your company created certain new benchmarks of excellence during the year 2010-11. Some of the performance highlights are enumerated below:

- 1) Highest ever Refinery crude thruput at 12.64 MMT.
- 2) Highest ever Turnover at ₹ 43,800 Crores.
- 3) Highest ever continuous accident free days of 1367 days as on 31st March, 2011.
- 4) Highest ever products dispatched through Mangalore – Hassan – Bangalore pipeline of 2.576 MMT.
- 5) Hydro cracker the major secondary processing unit achieved processing of 2.88 MMT (Capacity 121%).
- 6) Energy index of 58.13 MBN the lowest ever achieved.
- 7) Your Company signed a MoU with STC Mauritius 3 year products sale agreement signed in July, 2010.
- 8) Overall refinery performance for 2009-10 was found to be qualified for "excellent" rating of MoU with Government of India.
- 9) Phase – III Refinery upgradation and expansion project has achieved a overall progress of 84.4% (Actual) as against schedule target of 92.7% as on 15th June, 2011.

1.1 FINANCIAL PERFORMANCE

(₹ in Crore)

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Turnover	43,800	36,141
Profit before Depreciation Interest and Tax	2,233	2,196
Interest and Finance Charges	104	115
Gross Profit after interest but before Depreciation and Tax	2,129	2,081
Depreciation and Amortizations	391	389
Profit Before Tax	1,738	1,692
Provision for Taxation	561	580
Profit after Tax	1,177	1,112
Balance of Profit/(Loss) brought forward from previous year	3,396	2,557
Surplus available for appropriation	4,573	3,669
Appropriations:		
Proposed dividend on Preference Shares (₹ 9,186)	0.00	0.00
Proposed Dividend on Equity Shares	210	210
Tax on Dividend	34	35
Transfer to General Reserve	30	28
Balance carried to Balance Sheet	4,299	3,396

1.2 DIVIDEND

In view of the ensuing project investment and considering the performance, the Board of your company has decided to recommend a dividend payout of 12%. This will absorb ₹ 244 Crore including ₹ 34 Crore as tax on dividend.

1.3 OPERATIONAL PERFORMANCE

The Refinery throughput was 12.64 MMT crude oil achieving 107% capacity utilization. The Refinery produced 11.77 MMT of finished products.

1.4 EXPORTS

Even in these challenging times your company has exported, MS, Naphtha, Mixed Xylene, HSD, ATF and FO totaling to 4.9 MMT amounting to ₹ 14,604 Crore.

1.5 Domestic Marketing of Products

Your Company continued to make inroads in the direct sales segment in Karnataka and its adjoining states with sales turnover during the year at ₹ 2,291 Crores.

In view of deregulation of MS pricing, your company has reformulated its Retail Business plan to set up 122 retail outlets in next two years and has developed its policy on dealer selection for setting up retail outlets predominantly in southern India.

1.6 SAFETY PERFORMANCE

- The Refinery has achieved its best ever record of 1367 days without Reportable Lost Time Injury (RLTI) as on 31st March, 2011 i.e. 9.59 Million Man Hours without RLTI. On the Contractor's level a total of 757 days was completed from 5th March, 2009 to 31st March, 2011 i.e. 7.69 Million Man Hours without RLTI.
- In the year 2010, your company was adjudged as "Most consistent Safety Performer in Refinery" by Oil Industry Safety Directorate.
- Safety at MRPL is the commitment of the Top Management and incorporates the highest standards amongst its employees and contract workmen. Periodic audits (both internal and external), Mock Exercise (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 Hazard and Operability Study (HAZOP) before implementation.
- HAZOP study of all Refinery facilities including Offsite and Utilities were carried out.

1.7 ENVIRONMENT MANAGEMENT

- In Environment Management, your 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. Your Company has undertaken following initiatives for greener environment:
- A Sulphur Pelletisation Unit was commissioned in the refinery to reduce the dust emissions.
- Wet Air Oxidation Plant is being commissioned in the refinery for treating Spent Caustic resulting in further improving the quality of the treated effluent. Plant is in advance stage of completion.

- Second Continuous Ambient Air Quality Monitoring System is being installed in the refinery to monitor the air quality. Installation of instrument is in advance stage.
- 26th Activity Committee Meet on "Environment Management" was jointly organized first time in MRPL by Centre for High Technology (CHT) and MRPL in the month of December, 2010.
- Microbiology study completed on treated effluent by M/s. College of Fisheries.
- VOC Emission monitoring carried out in the refinery through reputed agency and corrective measures are taken to effectively minimize the same, wherever needed.
- Order placed to State Forest Department, Govt. of Karnataka for developing Greenbelt & Mango Orchard in and around the refinery, 5,000 mangoes trees and 33,320 others trees, covering this 120 Acre Area.
- Periodic Manual Stack Monitoring is being carried out by MoEF/ KSPCB approved external agency.
- Work Environment Monitoring was carried out by M/s. Regional Labour Institute, Chennai.
- Hydro geological Study is being carried out by M/s. National Geophysical Research Institute, Hyderabad in all water sheds of the refinery.
- Work Order placed on MoEF/KSPCB approved external agency for monitoring Ambient Air Quality in and around the refinery as per revised National Ambient Air Quality Monitoring Standards published by Ministry of Environment & Forests.
- An advance technology employed for cleaning Crude Tanks in the refinery. Tank cleaning was carried out by M/s. Plant Tech – Mid-continent (India) Pvt. Ltd.
- Bioremediation of 1000 MT of Oily Sludge has been completed by M/s. TERI, New Delhi.
- Environment Awareness Programs conducted in the neighbouring villages for School Children and for the community members.
- 70-75% of the total treated Effluent is recycled back to the cooling towers.
- Continuous online monitoring Analyzers installed to monitor Treated Effluents for parameters like PH, Sulphide, Dissolved Oxygen, Phenols, and VOC (Volatile Organic Compound) before discharged to sea.
- Treated effluents are monitored on a daily basis at both Refinery end & at APMC (Agricultural Produce Market Committee) yard.
- SOx and NOx emissions in ambient air are well below the standard stipulated by pollution control board, the monitoring of which in and around the refinery is being done by M/s. National Institute of Technology Karnataka.
- A Fortnightly Marine Environment Impact Assessment study is being carried out through the M/s. Central Marine Fisheries Research Institute, Mangalore from 7 monitoring stations set-up in the vicinity of Treated effluent Disposal point (at sea) & 3 Stations in the Seashore. The monitoring of Flora and Fauna, Studies on Phytoplankton, Zooplankton & Benthic Organisms in the Ocean is being conducted. Study on Bioaccumulation of Heavy metals in Marine Organisms are also conducted twice per year.
- Your Company is meeting the stipulations of KSPCB with regard to the quality and quantity of treated effluent, which is well below the standards in every aspect, on a continuous basis.
- Ten Nos. of Ground Water monitoring stations in and around Refinery have been set up and regular monitoring of ground water

quality is being carried out along with KSPCB.

- Low sulphur Fuel oil with less than 1% sulphur is being used in all the Refinery furnaces and boilers, simultaneously maximizing the usage of ultra low Sulphur fuel gas generated in the refinery process units.
- 3 Sulphur Recovery Units (SRUs), 2 working + 1 Standby established. SRUs are operated at efficiency greater than 99%.
- Innovative methods of solid waste reduction have been carried out by using Bioremediation process.
- Special health checkup is being carried out for employees working in high noise & dusty area and in units where Benzene is present.
- On-line analyzers have been installed for continuous monitoring of stack emissions, apart from manual monitoring of all stacks for compliance to Environment norms.
- Annual Submarine pipeline inspection carried out by M/s. National Institute of Oceanography (NIO).

1.8 MARKETING

1.8.1 Sales & Operation

Your Company continued to make inroads in the direct sales segment in Karnataka and its adjoining states. Major inroads made in Mixed Xylene market. ATF sales increased by 23 % to 67 TMT as compared to last year sales of 54 TMT. Total sales turn over during the year was about ₹ 2,291 Crores.

VG 30 and VG 10 grade Bitumen supplies started during the year. Your Company also started HSD supplies ex-Hassan hospitality location. Your Company increased supplies to OMC locations in Tamilnadu & Kerala.

1.8.2 Business Development

Your Company entered into an agreement with State Trading Corporation, Mauritius on 1st July, 2010 for supply of 1.1 MMT per annum liquid petroleum products valued at about 800 million USD at current prices. The products comprising ATF, MS, HSD and Furnace Oil will be supplied for a period of 3 years and the total value of this deal at current prices is 2.4 billion USD.

1.8.3 Joint ventures

The Joint Venture of your company with Shell B.V.Netherlands viz., "Shell MRPL Aviation Fuels and Services Private Limited" for marketing of ATF achieved a operating profit of ₹ 214.06 Million (Previous year ₹ 145.45 Million), Pre tax profit of ₹ 136.28 Million (Previous year ₹ 82.08 Million) and Post tax profit of ₹ 109.68 Million (Previous year ₹ 45.34 Million) during the year. During the year, the sales under Delivering Company (DELCO) model were 85,489 KL (Previous year 68,927 KL). The Company fuelled 12,674 flights (Previous year 11,106 flights). Sales under the Contracting Company (CONCO) Model were 4,16,487KL (Previous year 3,43,133 KL).

1.8.4 Retail

Your Company 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, 2011 MRPL is operating two HiQ retail outlets one each at Maddur and Hubli in Karnataka. The third outlet at Kadri Hills, Mangalore is under construction. In view of expected complete deregulation of MS and HSD pricing, your company has worked out its

Retail Business plan to set up 122 retail outlets within two years. Your Company plans to set up these retail outlets predominantly around Mangalore with minimum logistic cost.

2. AWARDS AND RECOGNITION:

The excellent standards maintained by the Refinery on the production, energy conservation, environment management and safety front, enabled us to bag several awards:

- MRPL has bagged the Petrofed 'Refinery of the Year' Award honoring performance in refining of petroleum in India during the year 2009-10. This recognizes leading Performance in production and operational efficiency in refining operations, while meeting the norms of health safety and environmental protection.
- Oil Industry Safety directorate ranks MRPL as 1st in "Most consistent safety performer in Refineries" for the year 2009-10
- Company has achieved the "Excellent" Target (Composite score 1.04) against the MOU Targets set with Government of India for the year 2009-10
- Best Exporter Award (Gold) – 2010 for exporting products through NMPT, by Federation of Karnataka Chamber of Commerce & Industries.
- The "Oil & Gas Conservation Award-2010" for Furnace/Boiler Efficiency instituted by CHT.
- Your Company bagged 1st Prize in Furnace/Boiler Efficiency under the Category-2 of Group-1 in the Annual OGCF-2009-10.
- Your Company bagged the second Prize of Jawaharlal Nehru Centenary Awards 2009-10 for Energy Performance of Refinery with composite energy factor for more than 5, under Group-1.

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.

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.

ICRA has also reaffirmed the "A1+" (pronounced A one plus), the highest and relatively stronger credit quality rating (within the rating category of A1) under ICRA's Short Term Rating Scale for ₹ 5,500 Crore Non-fund Based working capital Limit of MRPL.

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 15 MMTPA, 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 Propylene and upgradation of its total diesel pool to superior (Euro III/IV) grade. The estimated cost of the project is ₹ 12,160.26 Crore. Orders have been placed for all the units like PFCC, SRU & PPU, Captive Power Plant (CPP), Hydrogen & DHDT 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 31st May, 2011 is ₹ 10,193 Crore. The implementation is progressing satisfactorily.

The Project has achieved a overall progress of 84.4% (Actual) as against schedule target of 92.7% as on 15th June, 2011. The captive powerplant being executed by M/s BHEL has achieved overall progress of 81.3% (Actual) against schedule of 96.6% as on 15th June, 2011, M/s BHEL has indicated 6 months delay in completion. To achieve production schedule of January, 2012, your Company has initiated action to draw power and steam from existing powerplants. The project is expected to achieve start of production within financial year 2011-12.

4.2 Polypropylene Project:

As you are aware that your 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. However, the site work has been delayed due to PDF problems in this area. This has resulted in shifting the location of the unit. Site grading work has been carried out in the new location and is now ready for start of civil works. Fresh clearance from MoEF as required due to shifting of PP unit from MSEZ to MRPL Phase III Area is expected Shortly.

Polypropylene Project has achieved a progress of 64.2% (Actual) as against target of 67.2% (Scheduled) as of 15th June, 2011. Proactive actions have been taken to minimise delay from approved mechanical completion target of April, 2012 and commissioning by July, 2012.

Cost Commitment made for Polypropylene Project is ₹ 1,290.56 Crore and the expenditure incurred is ₹ 301.6 Crore as of 15th June, 2011.

4.3 SPM Project:

As reported last year, your 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 oil in Very Large Crude Carrier (VLCC) tankers. Your Company Board approved the SPM Project in June, 2010 and subsequently ONGC Board Approved the SPM Project in July, 2010.

M/s Engineers India Ltd (EIL) is appointed as OBE/LSTK Contractor for this Project. EIL have already completed ordering of major long lead equipments like Booster Pumps with Diesel Engine, SPM, Bare Pipe, Valves, Pipe Fittings etc and ordering for the balance items is in progress. The Civil and Structural Work Contract, Sub Sea Pipeline and SPM Installation Contract are placed. Civil and Structural Work for the Booster Pump Station is in progress in NMPT Limits. Tender Floated for Composite Works.

The Progress of the Project as on 15.05.2011 is 15.7%.

Your Company has already obtained Environmental Clearance from Ministry of Environment and Forests, Government of India for the Project.

5. INTERNAL PROJECTS

5.1 CDU / VDU1 revamp:

The CDU / VDU Phase 1 unit for improvements in yield with better energy efficiency. The Basic Engineering was done by M/s. EIL who is 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 Pre-shutdown activities related to the Project are completed and the Shutdown works shall be taken up in the scheduled Turnaround during September/October 2011.

5.2 Revamp of naphtha splitter unit-2:

This project is for maximizing the capacity utilization of the existing Isomerisation Unit and the CCR Unit with better Naphtha management. The Naphtha Splitter Unit-2 is being revamped with minor changes. The Basic Engineering has been carried out by Process Design Engg. Cell of M/s IOCL. M/s Engineers India Limited (EIL) has been retained for the Engineering & Procurement services. The estimated Project cost is about ₹ 9.5 Crores and targeted completion by April, 2012.

5.3 Relocation of tank truck loading for BS IV MS /HSD and argumentation of ATF loading facility:

The existing BS IV MS/HSD tank truck loading is being carried out at hired third party a premise which has inherent limitations. Loading facilities is being proposed at own premises at a cost of approximately ₹ 25 Crores (inclusive of security related infrastructure). M/s. Mecon have been retained as the Project Management Consultant and engineering is nearing completion. The schedule completion is March, 2013.

Highlights of activities

- GOHDS (Gas Oil Hydro De-sulphurisation) unit major revamp was successfully completed 4.5 months ahead of schedule and Unit commissioned on 16th April, 2010 which facilitates MRPL to Produce higher quantity of Euro-3 & Euro-4 grade low sulphur Diesel Products.
- Sulphur Pellatisation unit was commissioned on 29th July, 2010 which facilitates MRPL to market Pellatised sulphur.
- Hydrocracker-1 and Hydrogen-1 Catalyst replacement activity was safely & Successfully completed during June, 2010.
- CDU-2 Annual turnaround was carried out during 22nd Aug to 13th Sep, 2010.
- Major activity like entire radiation heater coil replacement of VDU was successfully completed.
- CDU-1, VDU-1, VBU-1&2 heater coil online cleaning was carried out during Feb, 2011. This helped us to improve capacity utilization.

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 furnished in 'Annexure - I' which forms part of this Report.

7. PARTICULARS OF EMPLOYEES

Pursuant to the Notification No. 2/29/1998-CL.V dated 31st March, 2011 issued by Ministry of Corporate Affairs, the Particulars of Employees Rules, 2011 has been amended. As per the amendment, a government company is not required to publish the Particulars of employees under section

217(2A) of the Companies Act, 1956, and the rules framed thereunder. Your company being a government company is exempted from disclosures under section 217(2A) of the Companies Act, 1956, and the rules framed thereunder.

8. HUMAN RESOURCES

- During the year 2010-11, your company continued to enjoy cordial and harmonious relations with the collectives and as an evidence to the same, not a single man-hour was lost on account of any industrial disturbance during the entire year.
- The Long Term Settlement (LTS) pertaining to Wage revision and other related benefits effective 1st April, 2007 with the Employees union was finalized and signed on 31st January, 2011.
- As regards the pay revision for Board level and below Board level executives which was due from 1st January, 2007 is implemented successfully as per the Guidelines of Department of Public Enterprises, Government of India, (DPE)
- Your Company has recruited 6 employees during the year 2010-11. Out of these 01 belonged to Scheduled Caste (SC), 01 belonged to Other Backward Class (OBC) and 01 women employee were recruited.
- The number of employees as on 31st March, 2011 was 1294, including 73 women employees. The number of employees belonging to SC, ST & OBC categories were 74, 24 and 317 respectively.
- During the year 2010-11, your company devoted 4141 man-days for Training, Development and Learning which amounts to an average of 3.2 man-days per employee. This included functional, developmental and special training programs covering the entire spectrum of employees.

9. OFFICIAL LANGUAGE

Your Company 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, and Govt. of India. In order to propagate Hindi among the employees, Hindi Workshops are organized on a regular basis at Mangalore, Mumbai, Delhi & Bangalore Offices. Regular Hindi classes such as Prabodh, Praveen & Pragya are being conducted for employees. To motivate employees who pass final Hindi examinations, Incentive schemes are introduced such as Cash award & 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, 2010. Competitions are also held in Hindi for employees and their family members during National Safety Day, Environment Day, Security awareness week and Vigilance awareness week. OL inspections of internal departments and subordinate offices were carried out. Special awards were given to the three toppers of DPS-MRPL School children who stood first three in the public exam of class X in Hindi language.

Your Company participated at TOLIC level Hindi competitions and won nine 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. To popularize usage of Hindi, Hasya Hindi Kavi sammelan was organized on 25th March, 2011. Five National level Hindi humor poets participated in the Programme.

10. VIGILANCE FUNCTION

Your Company has developed a structured mechanism of vigilance functions and its practices are towards creation of value for all the stakeholders. The practices involve multi-layer checks and balances to improve transparency. Vigilance awareness and preventive vigilance activities were continuously carried out during the year. Guidelines of Central Vigilance Commission are being followed. Officers in sensitive posts are rotated regularly. A 'Whistle Blower's Policy' for employees is in place which ensures that a genuine whistle blower is granted due protection from any victimization. In compliance with CVC instruction, your company has implemented a complaint handling policy in which all complaints received from various sources can get recorded and can be examined by vigilance. Further, in line with CVC instruction, your Company has achieved very high compliance level with regard to e-payment, e-tender.

Leveraging of technology to enhance transparency has been a thrust area of action in which vigilance has played a catalytic role. Prominent examples are publication of all tenders above ₹ 5.00 lakhs in Company website along-with provision for downloadable tender document, publication of information of works awarded on nomination in Company website, publication of post award information of all contracts above ₹ 1.00 Crore in Company website.

11. SECURITY MEASURES

11.1 CISF Induction:

Following approval of 200 CISF manpower by Ministry of Home Affairs (MHA), for protection of MRPL, a Quick Reaction Team (QRT) team consisting of 22 CISF personnel was inducted to guard the Refinery on 28th August, 2010. The remaining CISF manpower will be inducted once the CISF Township is constructed having target completion of 3rd quarter of 2013.

11.2 CCTV Surveillance:

Complete area of the Refinery is covered by state-of-the art CCTV Network. Few Cameras are working on OFC cables and rests of them are working on wireless technology. CCTV network is designed to cover all the access control gates and other strategic locations. Work for expanding the CCTV coverage to 10 more critical locations is going on.

11.3 Access Control:

Access to Plant area will be better controlled with completion of the proposed New Plant Gate & Security Building for which work will begin shortly. This Security Building will be equipped with Multi-Zone Metal Detectors and X-ray baggage scanners. This Gate will also have turnstiles controlled through bio-metric card readers for strict access control to Plant area. Anti-Vehicle Intrusion systems viz Tire Rippers/ Bollards are also being planned to be installed at Plant Gates. Similar Marketing cum Security Infrastructure is being built in the Lower Plateau of the Refinery.

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. All the recommendations given by the IB in the year 2008 have been complied. The latest IB inspection was carried out on 28-29th December, 2010 and a fresh set of 30 Recommendations have been

received. Action has been initiated to comply with all the recommendations in a time bound manner.

11.5 Internal Security Audit – ONGC:

Besides IB, ONGC carries out Security Audit of MRPL internally. ED Chief Security, ONGC also carries out periodical review of Security and gives his recommendations which are being implemented.

11.6 Mock Drills:

Regular mock drills are conducted exclusively on Security. Besides internal mock drills conducted within Security Department, district level security exercises are conducted along with State Police and Coast Guard. MRPL and industries in the neighborhood are actively involved in the Coastal Security Exercises conducted along the Coastal area under the leadership of Coast Guard.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As a socially responsive organisation your 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 2010-11. The expenditure incurred on CSR activities during the year was ₹ 4.34 Crore (₹ 12.54 Crore in previous year) in the core areas viz., Education, Health & Sanitation, Infrastructure, SC/ST Development Scheme, MRPL Rehabilitation Colony, Women Empowerment Programme.

13. DIRECTORS

- 13.1 Shri A.K. Hazarika was appointed as Director w.e.f 1st February, 2011, in place of Shri R.S Sharma consequent upon his superannuation from the services of ONGC on 31st January, 2011.
- 13.2 Shri B.Ravindranath has been appointed as a Nominee Director on the Board of MRPL by IDBI Bank Limited w.e.f 1st November, 2010, in place of Shri G.M Ramamurthy.
- 13.3 Shri P.P. Upadhyaya has been appointed as Director (Technical) of MRPL by President of India. He has assumed the office of Director (Technical) w.e.f 30th September, 2010.
- 13.4 Shri Vishnu Agrawal has been appointed as Director (Finance) of MRPL by President of India. He has assumed the office of Director (Finance) w.e.f 4th April, 2011.
- 13.5 In accordance with the provisions of the Companies Act, 1956 and Article of Association of the Company, Shri K. Murali and Shri Sudhir Vasudeva Directors will retire by rotation at the 23rd Annual General Meeting of the Company. Shri K. Murali and Shri Sudhir Vasudeva, being eligible, offer themselves for re-appointment as Directors of the Company.
- 13.6 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 Exchange are given in the Annexure to the AGM notice.
- 13.7 Your 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 for comply with clause 49(1A)(ii) 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, 2011 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;
- iv) They have prepared the Annual Accounts of the Company on a going concern basis.

15. FIXED DEPOSIT

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

16. CORPORATE GOVERNANCE

- 16.1 Your 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 requisite number of Independent Directors on the Board of the Company. Your Company is pursuing with the Administrative Ministry, MoP&NG for appointment of requisite number of Independent Directors on the Board. The Annual Report contains a separate section on Corporate Governance, which forms part of this Report.
- 16.2 Your Company is listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited.
- 16.3 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 this report.
- 16.4 As a measure of good corporate governance, your company has voluntarily taken up Secretarial Audit for the year 2010-2011 and a Report obtained from M/s. A.N. Kukreja & Co, Practicing Company Secretaries is annexed to the Annual Report, and forms part of this report.
- 16.5 Your Company has also complied with the guidelines of corporate governance for Central Public Sector Enterprises (CPSEs), issued by DPE dated 14th May, 2010 except with regard to appointment of requisite number of Independent Directors.
- 16.6 The Management Discussion and Analysis Report forms part of the Directors' Report annexed as Annexure-II.


17. AUDITORS

- 17.1 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 2010-11 by Comptroller & Auditor General of India (C&AG).
- 17.2 The report of the C&AG at Annexure III forms part of this Report.
- 17.3 Cost Audit branch of Ministry of Corporate Affairs (MCA) vide its order no. 52/61/CAB 2007 dated 24th January, 2007 has directed the company to maintain the cost accounts under the provisions of the Companies Act, 1956 and directed to conduct cost audit under section 233(B)(1) of the Companies Act, 1956. M/s. Musib & Associates, Practicing Cost Accountant has conducted Cost Audit for the year ended 2010-11. The Cost Audit Branch of Ministry of Corporate Affairs (MCA) has issued circular dated 11th April, 2011 w.e.f. 1st April, 2011 in supersession of earlier circular, whereby it requires the disclosures of details of the Cost Auditor and Cost Audit report for the year 2011-12.
- 17.4 Particulars of the Cost Auditor.
 - (a) M/s. Musib and Associates, Cost Auditor for the year 2010-11.
 - (b) Cost Audit report for the year 2010-11 will be filed before September, 2011.

18. ACKNOWLEDGEMENT

- 18.1 Your Directors sincerely thank the Government of India (GOI), Ministry of Petroleum and Natural Gas (MOP&NG), Ministry of Finance (MOF), Ministry of Corporate Affairs (MCA), Department of Public Enterprise (DPE), Ministry of Environment and Forest (MoEF), Ministry of External Affairs, Ministry of Shipping, Ministry of Home Affairs other Ministries and Departments of the Central Government and the State Government of Karnataka, Andhra Pradesh, Tamilnadu, Kerala and District Authorities at Mangalore for their valuable support and continued co-operation.
- 18.2 Your Directors gratefully acknowledge support and direction provided by the parent company, ONGC and the support of Hindustan Petroleum Corporation Limited (HPCL), as Promoters of the Company.
- 18.3 Your Directors wish to thank the shareholders for the continued confidence reposed on the Management and the Company.
- 18.4 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.
- 18.5 Your Directors recognize the patronage extended by the valued customers for the products of the Company and promise to provide them the best satisfaction.
- 18.6 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.

For and on behalf of the Board


A.K. Hazarika
Chairman

Place: New Delhi

Date: 4th July, 2011

ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

Your Company continued its emphasis on energy conservation through operational optimization, continuous monitoring and implementation of several energy conservation schemes.

- a) Major energy conservation measures taken during the year:
 - i) Optimization of Hydrogen network, for minimizing energy intensive pure Hydrogen make-up & for maximizing availability of Hydrogen to get cleaner products.
 - ii) Amine system solvent change over from Di ethanol amine to Methyl Di ethanol amine, to optimize steam & power consumption.
 - iii) Optimization of Gas Oil Hydro Desulfurization (GOHDS) operating parameters post revamp, to optimize energy consumption.
 - iv) Routing of Hydrocracker (HCU) units' Heavy Naphtha stream to Continuous catalytic reformer (CCR)-2 stripper directly, to reduce fuel consumption.
 - v) Optimization of unit capacity of Hydrocracker sour water stripping unit at phase2 & stoppage of the same unit in phase 1, thereby saving significant amount of power & steam.
 - vi) Application of ceramic coating on Refractory surface of CCR2 Plat former charge heater, Crude distillation (CDU) 2 & Vacuum distillation unit (VDU) 2 heaters.
 - vii) A modification is carried out to route amine off-gas to the incinerator of Sulfur recovery unit (SRU) -3 to facilitate diverting excess flash gases for minimizing flaring of the gases SRU-3, while SRU1 & 2 units are shut down.
 - viii) Online chemical cleaning of CDU1, CDU2, VDU1, Visbreaker unit (VBU) ph1 & 2 unit furnaces were carried out. This resulted in improved heater margins, which has resulted increased capacity utilization & lesser specific fuel consumption.
 - ix) Modification in VDU2 vacuum Diesel circulating reflux, resulting in reduced Medium pressure steam consumption & increased hot feed to GOHDS.
 - x) Modifications have been carried out for slop minimizations, resulting in improved crude refining capacity & reduced energy consumption for slop reprocessing.
 - xi) Modifications carried out to provide additional cooling system in CDU2 overhead system, which resulted in improved LPG yield in addition to reduced heaters load.
- b) Additional investments and proposals, if any, being implemented/ under consideration for reduction of consumption of energy / resources.

Continuing:

 - i) Condensate heat recovery in CDU & HCU units.
 - ii) Refinery steam lines insulation repair and maintenance.
 - iii) Recovery of Hydrogen from fuel gas streams & PSA tail gas streams.
 - iv) Slop recycling provision with coalescer in CDU1 & VBU2.

New:

 - i) Provision of Pre-flash column in CDU1 Crude distillation unit to minimize heater load & to enable maximizing the unit throughput, as part of phase 3.
 - ii) Providing additional LP steam interconnection between phase 1 & phase 2 for better steam distribution & enable minimizing intermittent LP steam venting.

- iii) Changing adsorbents in Hydrogen phase 2 unit, for improving Hydrogen recovery.

- c) The measures (a) above resulted in Energy consumption reduction by ~ 21000 MT/Year, in addition to this also improvements in Naphtha & LPG yield. The equivalent to a net saving of approx. ₹ 800 Million/year. This with an investment of approximately ₹ 26 Million. The investment estimated for the measures (b) above is approximately ₹ 20 Million, excluding the CDU1 revamp cost.
- d) Fuel & Loss in the Refinery for the year 2010-11 was 6.85%, whereas it was 6.51% in 2009-10. F&L is comparatively higher on account of higher feed processing in secondary units like GOHDS, ISOM, VBU, Hydro cracker and Hydrogen generation units. The Refinery Energy index (MBTU/BBL/NRGF) is lower at 58.13 for the year 2010-11 as compared to 58.27 for the year 2009-10.
- e) Energy Conservation award:

Your Company has won the Second Prize in the 'Jawaharlal Nehru Centenary Award for Energy conservation in refineries' for the year 2009-10, instituted by the Ministry of Petroleum & Natural Gas (MoP&NG), through Centre for High Technology. Your Company has achieved the lowest ever MBN of 58.13 for the year 2010-11.

Your Company has been adjudged as "Refinery of the year" Award constituted by Petroleum Federation of India (PetroFed) for the year 2009-10.

MRPL's Energy performance during the last four years is as follows

Year	Crude throughput, MMTPA (Net Crude Basis)	Complexity, NRGF (CHT method)	Energy Index, MBN (MBTU/Bbl/ NRGF)
2010-11	12.639	5.585	58.13
2009-10	12.497	5.371	58.27
2008-09	12.586	5.277	59.07
2007-08	12.547	5.359	61.55

FORM - A

Total Energy consumption and Energy consumption per unit of production:

A) Power and Fuel Consumption

	Current year 2010-11	Previous year 2009-10
1. Electricity		
a) Purchased		
Unit (Million KWH)	19.52	17.37
Total Amount (₹ Million)	114.76	103.05
Rate / Unit (₹ /KWH) *	5.88	5.93
* Includes demand charges of ₹ 18.58 Million (₹ 20.70 Million for 2009-10)		
The unit cost per KWH excluding Demand charges is ₹ 4.90 (₹ 4.64 for 2009-10)		
b) Own Generation		
i) Through Diesel Generator (at Sarpady)		
Unit (Million KWH)	0.08	0.03
Unit per ltr. Of Diesel (KWH/ltr.)	3.27	3.10
Cost / Unit (₹ /KWH)	10.71	10.31