



Mangalore Refinery and Petrochemicals Ltd.
(An ONGC subsidiary company)

Refining today. Redefining tomorrow.

**Schedule 'A' Status.
More Empowerment**

**Highest Turnover
Highest Throughput
Highest Export**

**Phase III poised
to take off**

**PFCCU, Coker
On-stream**

**New
Petrochemicals**

**Sharper focus on
Energy Conservation,
Safety & Environment**

ANNUAL REPORT 2013-14

MRPL

WITH ENERGY TO OUTPERFORM

Mangalore Refinery and Petrochemicals Ltd. (MRPL), a 'Schedule A, Mini Ratna Cat- 1' **ONGC Group Company** adds sparkle to the lush green glades of Dakshina Kannada .

A 15 MMTPA Refinery with a complexity of around 9.5, MRPL is the nucleus of Petroleum Product supplies in the South of India and is a picture of excellence in the Indian Hydrocarbon Industry. So much so that MRPL has been declared "Refinery of the Year" twice (2010, 2012 Petrofed Award).

- ◆ Cutting edge technology
- ◆ World-class Quality Control Lab
- ◆ Self - reliance in Power generation (3 CPPs)
- ◆ State of the art Auto Tank Gauging System
- ◆ First Refinery to make Euro I, II, III, and now, IV Petrol and Diesel
- ◆ Exports to 21 countries
- ◆ Varied product yield with customization
- ◆ Benchmarked Environment Management Systems
- ◆ Diversifying into new Petrochemicals
- ◆ ISO 14001, ISO 9001 & ISO 50001 Certified
- ◆ AAA Rating from CRISIL & ICRA
- ◆ Dedicated Jetties at the New Mangalore Port.
- ◆ SPM with coastal booster pumping station
- ◆ Committed team of professionals.



Board Meeting Chaired by Shri D. K. Sarraf



Mangalore Refinery and Petrochemicals Limited

(A Subsidiary of Oil & Natural Gas Corporation Limited)

CIN : L85110KA1988GOI008959

BOARD OF DIRECTORS AS ON 05/08/2014

| | | |
|---------------------------|-----------------------|-------------------|
| Shri D. K. Sarraf | Chairman | (From 01/03/2014) |
| Shri Vishnu Agrawal | I/c Managing Director | (From 01/08/2014) |
| Shri Vishnu Agrawal | Director (Finance) | (From 01/04/2011) |
| Shri V. G. Joshi | Director (Refinery) | (From 04/04/2013) |
| Shri P. Kalyanasundaram | Director | (From 15/04/2013) |
| Shri B. K. Namdeo | Director | (From 01/07/2013) |
| Shri C. L. Shah | Independent Director | (From 22/10/2013) |
| Smt. Neela Gangadharan | Independent Director | (From 22/10/2013) |
| Prof. Jayant M. Modak | Independent Director | (From 22/10/2013) |
| Prof. Usha Kiran Rai | Independent Director | (From 22/10/2013) |
| Capt. John Prasad Menezes | Independent Director | (From 22/10/2013) |
| Shri A. K. Banerjee | Special Invitee | (From 05/08/2013) |
| Shri Sudhir Vasudeva | Chairman | (Upto 28/02/2014) |
| Shri P. P. Upadhyaya | Managing Director | (Upto 31/07/2014) |
| Shri K. Murali | Director | (Upto 30/06/2013) |
| Shri B. Ravindranath | Independent Director | (Upto 06/01/2014) |
| Dr. D. Chandrasekharam | Independent Director | (Upto 11/03/2014) |
| Shri K.S. Jamestin | Special Invitee | (Upto 31/07/2014) |

COMPANY SECRETARY

Shri Dinesh Mishra

Shri B. Sukumar (From 14/02/2013 to 22/10/2013)

REGISTERED OFFICE

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

SOLICITORS & ADVOCATES

M/s. Mulla & Mulla & Craigie Blunt & Caroe, Solicitors.
M/s. Alaya Legal, Advocates

JOINT STATUTORY AUDITORS

M/s. Gopalaiyer & Subramanian,
Chartered Accountants
M/s. A. Raghavendra Rao & Associates,
Chartered Accountants

SECRETARIAL AUDITORS

M/s Ullas Kumar Melinamogaru & Associates
Company Secretaries

COST AUDITORS

M/s Musib & Associates,
Cost Accountants

BANKERS

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

INVESTOR RELATION CELL

MANGALORE REFINERY AND PETROCHEMICALS LIMITED

- Mudapadav, Kuthethoor, P.O. Via Katipalla
Mangalore- 575030, Karnataka
Tel. No.: 0824-2270400 Fax No.: 0824-2273300
Website : www.mrpl.co.in
- LGF, Mercantile House
15, K.G. Marg, New Delhi – 110001
Tel : 011-23463100 Fax : 011-23463201
E-mail: investor@mrplindia.com
- REGISTRAR & 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 No.: 022-25946969
E-mail: mrplirc@linkintime.co.in
Website : www.linkintime.co.in

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DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors of MRPL and on my behalf, it is my privilege to present the 26th Annual Report and the Audited Accounts for the financial year ended March 31, 2014.

It is a matter of pride that your Company is now Schedule 'A' Central Public Sector Enterprise (CPSE) upgraded from Schedule 'B' status. Your Company is marching ahead with a renewed vision and commitments for greater growth. We focused at fortitude in adversities, embracing opportunities and over coming setbacks to gain in strength with continued support of all shareholders.

1.0 PERFORMANCE AT A GLANCE

- Highest ever crude processed at 14.59 MMT during the year 2013-14 against 14.41 MMT during the previous year 2012-13.
- Highest ever Turnover at ₹ 75,226 Crore during year 2013-14 against ₹ 68,834 Crore for the previous year 2012-13.
- Highest ever Export Turnover at ₹ 35,392 Crore during the year 2013-14 against ₹ 33,340 Crore for the previous year 2012-13.
- Profit After Tax (PAT) at ₹ 601 Crore during the year 2013-14 against the loss of ₹ 757 Crore incurred for the previous year 2012-13

1.1 SUMMARY OF FINANCIAL PERFORMANCE

The summarized financial performance of your company for the year ended 31st March, 2014 is furnished below:

| | (₹ In Crore) | |
|---|---|---|
| | Year ended 31 st March, 2014 | Year ended 31 st March, 2013 |
| Turnover | 75226 | 68834 |
| Profit before Depreciation Interest and Tax | 1437 | 456 |
| Interest and Finance Charges | 321 | 329 |
| Gross Profit after interest but before Depreciation and Tax | 1116 | 127 |
| Depreciation and Amortizations | 706 | 604 |
| Profit/(Loss) Before Tax | 410 | (477) |
| Provision for Taxation (deferred tax liability) | (191) | 280 |
| Profit/(Loss) after Tax | 601 | (757) |
| Balance of Profit/(Loss) brought forward from previous year | 4238 | 4999 |
| Surplus available for appropriation | 4839 | 4242 |
| Transfer to Capital Redemption Reserve | - | 4 |
| Balance carried to Balance Sheet | 4839 | 4238 |

1.2 DIVIDEND

In view of the carry forward losses of previous financial year and funds requirement for meeting huge capital expansion plans of the Company, your Board of Directors has not recommended any dividend for the financial year 2013-14. However, we are quite confident to deliver growth and enhance shareholder value once all the units of Phase-III Refinery Project are made fully operational which will contribute significant improvement in operating profit margins of the Company.

1.3 OPERATIONAL PERFORMANCE

Your Company had processed the highest ever crude of 14.59 MMT during the financial year 2013-14 compared to 14.41 MMT during the previous financial year 2012-13. The Fuel and Loss net of commissioning usage was 7.15%, higher by 1% as the fuel consumption during stabilisation of units.

The Refinery achieved the Highest Crude processed with Energy index (MBTU/BBL/NRGF) of 60.88 during the year 2013-14 against 61.01 during the year 2012-13.

1.4 EXPORTS

Your Company has achieved highest ever export turnover of ₹35,392 Crore during the financial year 2013-14 by exporting products viz., Motor Spirit (MS), Naphtha, Mixed Xylene (MX), High Speed Diesel (HSD), Air Turbine Fuel (ATF) and Fuel Oil (FO).

Your Company continues to supply petroleum products viz. Mogas, ATF, Gas Oil and Fuel Oil to State Trading Corporation (STC), Mauritius.

In the global competitive market, Your Company has secured its place by exporting petroleum products to 21 countries viz. Bahamas, China, Egypt, Hongkong, Japan, Jordan, Kenya, Korea, Malaysia, Mauritius, Netherlands, Oman, Saudi Arabia, Singapore, Slovenia, South Africa, Taiwan, Turkey, UAE, UK and Yemen and continues to explore more opportunities for its growth.

1.5 SAFETY PERFORMANCE

Your Company have achieved 912 accident free days as on 22/07/2014 with 8.59 million man hours worked. The various units of Phase -III Refinery Upgradation and Expansion Project and storage tanks were commissioned safely during the year.

Your Company is committed towards imparting continuous training in fire and safety practices. During the year, 1085 employees and 5788 contract workmen were trained in fire and industrial safety. Regular Mock exercises were conducted considering the various emergency scenarios in plant and non plant areas.

1.6 ENVIRONMENT MANAGEMENT & PERFORMANCE

Your Company believes in "Perform beyond Compliance" - that is to perform better than minimum required by statutes. The Refinery of your Company is a certified ISO 14001: 2004 for Environment Management Systems. The major achievements on the Environment Management and performance are summarized as under:

- The Phase -III has an advanced Waste Water Treatment Plant (WWTP) which includes oil effluent Treatment unit, Sequential Batch Reactor (SBR) unit and Membrane Bio Reactor (MBR). This unit was commissioned during the year.
- Sulphur Pastillation Unit was commissioned in the Refinery to reduce dust emissions in the Sulphur Recovery Unit (SRU).
- An advanced Reverse Osmosis (RO) Plant was commissioned on 30/10/2013 for maximizing the quantity of treated water recycle back to the Refinery.
- Wet Air Oxidation (WAO) Unit is set-up in the Refinery to treat Spent Caustic to improve the WWTP performance.
- Volatile Organic Compound (VOC) Recovery system in WWTP- III was commissioned during the year. VOC Emission is being monitored at 74,000 points in the Refinery through reputed agency and corrective measures are taken to effectively minimize the same.
- A Condensate Recovery Unit was commissioned in process unit resulting reduction in fresh water consumption.
- A Closed Bioremediation Unit was commissioned in the Refinery as a part of WWTP.
- Environment Awareness programs are organized periodically in the neighbouring villages & schools in association with Karnataka State Pollution Control Board (KSPCB).
- Karnataka Forest Department, Government of Karnataka has been requested to develop greenbelt in 120 acres area of the Refinery. They have developed saplings and Plantation has been commenced in the Refinery area of your Company.

Mangalore Refinery and Petrochemicals Limited

- Advanced technology has been deployed for cleaning Crude oil Tanks in the Refinery.
- Regular Seawater quality monitoring is being carried out by M/s. College of Fisheries on fortnight basis indicating no adverse effect on the marine environment.
- Ten Ground Water monitoring stations in and around Refinery have been setup and regular monitoring of ground water quality is being carried out along with KSPCB. Average treated effluent recycled to cooling towers during the year was 70-75%.
- Ambient air quality monitoring is being done inside and outside the Refinery at 9 locations (including 2 locations at Phase-III Project site) as per revised National Ambient Air Quality Monitoring Standard.

Your Company has also undertaken the following projects which are in various stages of installation:

Your Company has also undertaken the following projects which are in various stages of commissioning.

- Vapour Recovering System for light hydrocarbon storage tanks in Phase – III Refinery Project,
- Automatic Rim seal protection Installation in storage tanks.
- Connection of LPG spheres and Mounded Bullets PSV discharge to flare header.

1.7 MARKETING

1.7.1 Marketing and Business Development

Your Company continued its direct marketing activities in the State of Karnataka and in the adjoining states. The total direct marketing turnover during the financial year 2013-14 was ₹ 2589 Crore.

With the availability of natural gas pipeline in North Karnataka and Goa, some major customers have shifted from liquid fuels to gas, leading to shrinkage of liquid fuels market. However, your Company could establish a good market reach for sale of Petcoke produced from the Delayed Coker Unit (DCU) commissioned in Phase-III project during April, 2014.

Your Company continues to develop its direct marketing network for various value added products like Petcoke, Polypropylene (PP) etc by various units commissioned in Phase-III Refinery project.

1.7.2 Retail Operations

Your Company embarked into bulk sales of HSD after the introduction of dual pricing for HSD which has improved sales considerably in the bulk consumer segment. Domestic sale of Mixed Xylene has increased considerably against previous year. Keeping in view the gradual decontrol of HSD in retail segment; Your company is evaluating the opportunity to set up few retail outlets in select markets.

1.7.3 New Products Marketing Plan

Your Company is setting up a Polypropylene (PP) plant of 440 KTPA capacity for bulk supplies to downstream processing industry. The channel partners have been identified for sale of Polypropylene (PP) in key areas in the domestic market. In addition to this your Company is also developing storage infrastructure for Polypropylene (PP) in Karnataka for managing its supply chain for marketing networks.

1.7.4 Joint Ventures

Your Company's Joint Venture (JV) with Shell B.V. Netherland known as Shell MRPL Aviation Fuel Services Limited (SMAFSL) supplies Aviation Turbine Fuel (ATF) to both domestic and international airlines at Indian airports has performed well.

The Turnover of the SMAFSL was ₹ 651 Crore during the financial year 2013-14 against ₹ 486 Crore during the previous financial year 2012-13 and

the Pre-tax profit of ₹ 18.40 Crore during the financial year 2013-14 against ₹13.14 Crore during the previous financial year 2012-13. The company has declared dividend of 10% for the financial year 2013-14 as compared to 8% in the previous financial year 2012-13.

2. AWARDS AND RECOGNITION:

- Upgraded to Schedule 'A' CPSEs from Schedule "B" with effect from 04/07/2013 by the Department of Public Enterprises, thereby making it eligible for achieving the "NAVARATNA" status.
- Won the coveted Petrofed Award "Refinery of the Year-2012" for its commendable performance in production and operational efficiencies while adhering to the norms of health, safety and environment protection.
- Won the "Refinery of the Year" from Petrofed for the year 2011-12 for leading performance in production and operational efficiencies while meeting the norms of Health, Safety and Environment protection.
- Won the "Export Excellence Award, 2013" in Best Manufacturer / Exporter (large category) – Gold from the Federation of Karnataka Chamber of Commerce and Industry (FKCCI) on 22/06/2013.
- Secured the first prize for outstanding performance in the area of Hindi Implementation for the year 2012-13 by Town Official Language Committee(TOLIC), Mangalore on 28/05/2013.
- Secured the first prize in the Jawaharlal Nehru Centenary Awards for energy performance for the year 2011-12 & 2012-13 under the Refineries category having complexity of 6.0.
- Secured the first prize in the OGCF-2012 awards for Furnace/Boiler efficiency having heat duty more than 1000MM Kcal/hr.
- Won the "State Export Excellence Award" for 2012-13 & 2011-12 Medium/ Large category – Gold & Platinum respectively by Government of Karnataka.
- Won the award for "Best Fuel efficient Boiler operation" by the Department of Factories and Boilers on the occasion of 43rd National Safety Day celebration.

3. CREDIT PROFILE

- 3.1 ICRA 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 carries the lowest credit risk.
- 3.2 ICRA has reaffirmed "[ICRA] AAA" (pronounced as ICRA Triple A) to ₹ 3,000 Crore Fund- Based limits of your company. The outlook on the rating is "Stable".
- 1.3 ICRA has reaffirmed "[ICRA] A1+" (pronounced as ICRA A one plus) to ₹ 4,000 Crore Non- Fund based limits of Your company.
- 1.4 ICRA has reaffirmed "[ICRA] A1+" (pronounced as ICRA A one plus) to ₹ 1,500 Crore Commercial Paper issued by your company. This rating indicates the very strong degree of safety regarding timely payment of financial obligations i.e., which carries the lowest credit risk.
- 1.5 CRISIL has reaffirmed "[CCR AAA]" (pronounced as CCR Triple A). This rating indicates highest degree of strength with regard to honouring debt obligations by Your company.

4. FINANCIAL ACCOUNTING:

The financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP), all accounting standards guidance note on accounting for activities of your company issued by The Institute of Chartered Accountants of India (ICAI) and Schedule VI format and other relevant provisions of the Companies Act, 1956. The MCA General Circular No. 1/19/2013-CL-V dated 04/04/2014 clarifies that the Annual Accounts/Financial Statements along with documents required to be attached thereto, Auditors' Report and Boards' Report in respect of financial years that commenced earlier than 1st April, 2014 shall be governed by the relevant provisions/Schedules/rules of the Companies Act, 1956.

5. INTERNAL CONTROL SYSTEM

Your Company has a well-established internal control system, which is commensurate with its size and nature of operations. The internal control systems are designed to provide a reasonable assurance over reliability in financial reporting, ensure appropriate authorisation of transactions, safe guarding the assets of the Company and prevent misuse/losses and legal compliances.

The internal control system includes a well-defined delegation of authority and a comprehensive Management Information System coupled with monthly reviews of operational and financial performance, a well-structured budgeting process with regular monitoring of expenses, a state of art ERP systems and Internal audit.

The internal audit team is led by a professional audit manager and supported by financial and technical personnel drawn from across the organisation. The internal audit is conducted as per a plan drawn at the beginning of the year in consultation with the management and statutory auditors of the Company which is finally approved by the Audit Committee. The audit plan attempts to cover all significant risk areas, review and evaluation of the effectiveness of existing processes, controls and compliances and ensure adherence to policies and procedures. All the significant audit observations made by the internal auditors of the Company are regularly reviewed by the management. However, all significant audit observations along with the management responses/ replies and follow up actions are periodically placed for review before the Audit Committee.

6. PROJECTS

A) Ongoing projects:

i. Phase -III Refinery Upgradation and Expansion Project.

The commissioning of Secondary Process Units of Phase -III Refinery Upgradation and Expansion project are under near completion, which will increase the distillate yield and produce high value products viz Propylene, Gasoline from low value black oils.

Crude Distillation Unit (CDU), Hydrogen Generation Unit (HGU) and Diesel Hydrotreater Unit (DHT) were commissioned in the last financial year. The Refinery achieved major milestones with the commissioning of the Delayed Coker Unit (DCU), one train of Sulphur Recovery Unit (SRU) and Coker Gasoil Hydro Treating Unit (CHTU) in the months of April and May 2014. The last process unit in Phase -III, Petro (PFCCU) unit is under advance stage of commissioning and expected to go on stream shortly.

The delay in commissioning was mainly on account of the delay in the completion of the Captive Power Plant (CPP) being executed by M/S BHEL. Most of the major equipments are commissioned and it is expected that the CPP can supply the required quantity of steam and power for running all the Phase -III units.

The total expenditure incurred by your Company on Phase -III Refinery Upgradation and Expansion project is around ₹ 11500 Crore as on 15/07/2014.

ii. Polypropylene Project (PP):

The Polypropylene (PP) unit being set up with the licensor M/s Novolen Technology, Germany in integration with the Phase -III Project at an estimated Capex of ₹ 1804 Crore by your Company has achieved an overall progress of 95.6% as on 15/07/2014.

The non-vacating of the site by PDF had resulted in shifting the location of the unit causing delay in the site work and environmental clearance. The project is expected to get mechanically completed and will go on stream shortly. The total expenditure incurred on this project was ₹ 960 Crore as on 15/07/2014.

iii. Single Point Mooring (SPM) Project:

Your Company has setup SPM project along with coastal booster pumping

station within the port limits at a location of 16 Km from the shore having the draft availability of 30 M for handling Very Large Crude Carrier (VLCC) at an estimated cost of ₹ 1044 Crore . The SPM was successfully commissioned on 29/08/2013 by unloading the first crude vessel Ratna Puja with the cargo of 87 TMT('000MT).

This facility will enable the company to receive crude in Suez max / VLCC vessels, which in turn will give freight economics and also allow access to West African and Latin American countries for sourcing crudes. This facility will also de-congest existing berth facility at New Mangalore Port Trust (NMPT) port and reduce the incidence of demurrage.

iv. Refinery Performance Improvement Programme

Your Company has taken up Refinery Performance Improvement Programme (RPIP) through M/s Shell Global Solutions International B.V. under the auspices of Centre for High Technology, Ministry of Petroleum and Natural Gas (MoP&NG), Government of India.

The RPIP is aimed at identifying opportunities for improvement by adopting best operating practices in the areas having a bearing on profit margin including optimizing operation , energy and utilities consumption , minimizing hydrocarbon loss and improving maintenance and inspection practices.

The PFI's (Proposals for Implementation) developed after the evaluations are under various stages of implementation.

B) Future Projects:

Your Company has signed an Memorandum of Understanding (MOU) with Government of Karnataka for setting up a Linear Alkyl Benzene (LAB) Plant (for producing raw materials to manufacture detergent) and to expand its Refining capacity to 18/21 MMTPA in a time horizon of 3 to 6 years subject to techno economic viability and availability of required infrastructure at Mangalore with an approximate investment of ₹ 8500 Crore.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO :

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

8. PARTICULARS OF EMPLOYEES

Your Company being a Government Company is exempted from disclosure of particulars of employees under section 217(2A) of the Companies Act, 1956, and the Particulars of Employees (Amendment) Rules, 2011.

9. RIGHT TO INFORMATION ACT, 2005

Your Company's RTI manual is available on its website www.mrpl.co.in, which discloses all required information.

During the year, 114 applications were received, out of which 111 were disposed off before 31/03/2014 and balance 3 applications were disposed off subsequently.

10. HUMAN RESOURCES

- Your Company continued to enjoy cordial and harmonious relations with the collectives and as evidence to the same not a single man-hour was lost on account of any industrial disturbance during the year 2013-14.
- During the year, your Company has recruited 114 employees comprising of 8 women employees and 44 Schedules Caste (SC) / Schedule Tribe (ST) employees.
- Total employee strength as on 31/03/2014 was 1715 including 127 women employees, 191 SC/ST employees and 7 Physically Challenged employees. 704 employees belong to Management cadre whereas 1011 employees belong to Non-Management cadre.

- During the year 2013-14, Your Company devoted 4809 Mandays for Training, Development and Learning which amounted to an average of 3 Mandays per employee. This includes functional, developmental and special training programs covering the entire spectrum of employees.

11. 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, Government of India. In order to propagate Hindi among the employees, Hindi Workshops are organised on a regular basis at Mangalore, Mumbai, Delhi & Bangalore Offices. Regular Hindi classes such as Prabodh, Praveen & Pragya in addition to Hindi Stenography are being conducted for employees. In order to increase the correspondence in Hindi, by the employees, special efforts are made to activate Unicode facilities on all the computers used in your Company. To motivate employees for Hindi usage, various incentive schemes are introduced such as Cash award & Personal Pay.

12. VIGILANCE FUNCTION:

Your Company has developed a structured mechanism of vigilance functions and its practices are focused 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 (CVC) are being followed. Officers in sensitive posts are rotated regularly.

Whistle Blower 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 high compliance level with regard to e-payment and e-tender.

Leveraging of technology to enhance transparency has been a thrust area of action in which vigilance has played a catalytic role. The website of the company displays downloadable tender document, publication of information of works awarded on nomination basis, publication of post award information of contracts.

Full time Chief Vigilance Officer (CVO) is posted and he can be contacted at cvo@mrplindia.com for any complaint having vigilance angle.

13. SECURITY MEASURES

Security of Refinery of your Company is designed to comply with Oil Sector Infrastructure Protection Plan (OSIPP) and the Security Audit recommendations given by the Intelligence Bureau (IB), Ministry of Home Affairs, Government of India from time to time are duly implemented.

The Security of the Refinery of your Company is handled by Central Industrial Security Force (CISF) and survey to extend CISF coverage to newly commissioned Phase -III Project is underway. A project to install an integrated Security Surveillance System for the entire Refinery is on the anvil.

Security is on top of the agenda of your Company and to ensure preparedness, periodic mock drills on work-place security preparedness are conducted. To promote awareness on security issues amongst all stake holders, Security Awareness Weeks are organized.

14. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Your Company's social welfare and community development initiatives focus on the key areas of education, health care and overall development of basic infrastructure in and around its operational areas. The CSR objective of your Company in line with DPE guidelines is promoted under the name of "SAMRAKSHAN". This captures the spirit and commitment to "protect, preserve and promote the social, cultural and environmental heritage and wealth in and around the area of our business and to usher in sustainable

development". Facilitating Midday Meal to support continuing Education, setting up of computer room, Anganwadi building, skill development training for youths, infrastructural development etc. is a part of the Samrakshan activities.

Your company has spent ₹ 3.47 Crore for various CSR activities during the year 2013-14.

15. DIRECTORS

During the year following changes took place in Board of Directors of Your Company:

- 15.1 Shri D.K. Sarraf has assumed the position of CMD, ONGC and Chairman/Director of your Company w.e.f. 01/03/2014 consequent to superannuation of Shri Sudhir Vasudeva from the services of ONGC.
- 15.2 Consequent upon attaining the age of superannuation Shri P P Upadhyaya, Managing Director, retired from the services of MRPL on July 31, 2014. Shri Vishnu Agrawal, Director (Finance) has assumed the additional charge of the post of Managing Director w.e.f. 01/08/2014.
- 15.3 Shri V G Joshi was appointed Director (Refinery) w.e.f. 04/04/2013.
- 15.4 Shri P Kalyanasundaram, Joint Secretary, MoP&NG was appointed Government Director w.e.f. 15/04/2013 in place of Shri P. K. Singh. Shri P. Kalyanasundaram who retires by rotation and being eligible offers himself for re-appointment as a Director.
- 15.5 Shri B. K. Namdeo, Director Refinery (HPCL) was appointed as Director w.e.f. 01/07/2013 in place of Shri K. Murali consequent upon superannuation from the services of HPCL. Shri B. K. Namdeo who retires by rotation and being eligible offers himself for re-appointment as a Director.
- 15.6 Shri B Ravindranath ceased to be an Independent Director / Nominee Director of IDBI Bank Limited., w.e.f. 06/01/2014.
- 15.7 Dr. D. Chandrasekharam ceased to be an Independent Director w.e.f. 10/03/2014 consequent upon the expiry of his 3 years term as an Independent Director on the Board of ONGC.
- 15.8 Shri K. S. Jamestin, Special Invitee on the Board, was superannuated from the services of ONGC as Director (HR) on 31/07/2014 and ceased to be a Special Invitee on the Board. Shri A. K. Banerjee, Director (Finance), ONGC, has been nominated as Special Invitee on the Board of MRPL w.e.f. 05/08/2014.
- 15.9 The Board wishes to place on record its deep appreciation for the services rendered and contribution made by Shri Sudhir Vasudeva, Shri P P Upadhyaya, Shri P. K. Singh, Shri K. Murali, Shri B Ravindranath, Dr. D. Chandrasekharam and Shri K. S. Jamestin as directors / special Invitee during their tenure on the Board of the company.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed that:

- a. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. The Directors 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 2013-14 and of the profit and loss of the company for that period;
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. The Directors have prepared the Annual Accounts for the financial year 2013-14 on going concern basis.

17. FIXED DEPOSIT

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

18. CORPORATE GOVERNANCE

- 18.1 Your company has complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements and mandatory guidelines on Corporate Governance for CPSEs issued by DPE, Government of India, except the composition of Board of Directors.
- 18.2 The Annual Report contains a separate section on Corporate Governance, which forms part of this Report.
- 18.3 Pursuant to Clause 55 of Listing Agreement, Annual Business Responsibility Report (ABRR) has been prepared for the financial year and the same has been uploaded on the website of the company www.mrpl.co.in
- 18.4 Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, Your company has obtained the Certificate from the Joint Statutory Auditors of the Company, towards Compliance of Corporate Governance which is annexed to and forms part of this report.
- 18.5 As a measure of good corporate governance, Your company has engaged M/s Ullas Kumar Melinamogaru & Associates, Practicing Company Secretaries, Mangalore for conducting Annual Secretarial Compliance Audit for the year 2013-2014. M/s Ullas Kumar Melinamogaru & Associates Practicing Company Secretaries, Mangalore have issued Annual Secretarial Compliance Audit Report for the year 2013-14 which forms part of this report.

19. MANAGEMENT DISCUSSION AND ANALYSIS

In terms of Clause 49 (IV)(F) of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report for the year have been attached and forms part of this report.

20. AUDITORS:

- 20.1 M/s Gopalaiyer and Subramanian, Coimbatore and M/s A Raghavendra Rao and Associates, Mangalore have been appointed as Joint Statutory Auditors of the Company for the Financial Year 2013-14 by Comptroller & Auditor General of India (C&AG).
- 20.2 The report of the C&AG at Annexure III forms part of this Report.

20.3 Pursuant to the provisions of the Companies Act, 1956, the cost accounts maintained by the company for the financial year 2013 –14 are being audited by Cost Auditors M/s. Musib and Associates with approval of Ministry of Corporate Affairs, Government of India.

21. ACKNOWLEDGEMENT

- Your Company always conducts business with a strong commitment for environment preservation, sustainable development, safe workplaces and enrichment of the quality of life of its stakeholders and the community at large.
- Your Directors are highly grateful for all the help, guidance and support received from the Ministry of Petroleum and Natural Gas (MoP&NG), Ministry of Finance (MoF), Ministry of Corporate Affairs (MCA), Department of Public Enterprises (DPE), Ministry of Environment and Forest (MoEF), Ministry of External Affairs (MEA), Ministry of Shipping (MoS), Ministry of Home Affairs (MHA) Ministry of Heavy Industries and Public Enterprises (MoHI&PE) and other ministries and Departments of Central and State Governments especially the Government of Karnataka.
- Your Directors gratefully acknowledge the continued support and guidance extended by Oil and Natural Gas Corporation (ONGC) Limited, the parent company.
- Your Directors thank all shareholders and members of the Company for their faith, trust and confidence reposed on the Management of the Company.
- Your Directors wish to place on record their sincere appreciation for the sustained efforts and dedicated contributions put in by all the employees collectively and concertedly as a Team, to ensure that the Company continues to grow and excel.

For and on behalf of the Board



(D.K. Sarraf)
Chairman

Place: New Delhi

Date: 05/08/2014

ANNEXURE- I TO THE DIRECTOR'S REPORT

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
- Hotwell pump auto start/Stop provision in CDU/VDU 3
 - Optimised mode of Operation in CDU/VDU 3.
 - Heater and Heat exchanger cleaning in CDU/VDU 1.
 - Recycle Splitter Heater duty Optimisation in HCU2.
 - Compressed Air and Nitrogen network leak arresting after carrying out Leak Survey.
- b) Additional investments and proposals, if any, being implemented/ under consideration for reduction of consumption of energy / resources
- Stripping steam reduction in CDU/VDU1.
 - APH replacement in HCU1.
 - Compressed Air and Nitrogen network leak arresting.
 - APH replacement in HCU2.
 - VSD drive to CCR1 Charge pump.

- The measures taken above resulted in Energy consumption reduction by approx. 5000 MT/Year, equivalent to a net saving of approx. Rs. 195 Million/year, with an investment of approximately ₹ 74 lakh.
- Company also has implemented Energy Management system, ISO 50001 during the year.
- Fuel & Loss in the Refinery for the year 2013-14 was 7.88%, whereas it was 7.0% in 2012-13. The increase of Fuel & Loss was due to commissioning of units under Phase-III projects.
- The Refinery achieved the Highest Crude processed with Energy index (MBTU/BBL/NRGF) of 60.88 for the year 2013-14.

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) |
|---------|---|-------------------------------|-----------------------------------|
| 2013-14 | 14.547 | 5.354 | 60.88 |
| 2012-13 | 14.403 | 4.895 | 61.01 |
| 2011-12 | 12.818 | 5.487 | 57.92 |
| 2010-11 | 12.639 | 5.585 | 58.13 |

Mangalore Refinery and Petrochemicals Limited

FORM - A

Total Energy consumption and Energy consumption per unit of production:

| A) Power and Fuel Consumption | Current Year 2013-14 | Previous Year 2012-13 |
|---|---------------------------------|----------------------------------|
| 1. Electricity | | |
| a) Purchased | | |
| Unit (Million KWH) | 47.96 | 44.00 |
| Total Amount (₹ Million) | 303.00 | 262.86 |
| Rate / Unit (₹/KWH) * | 6.32 | 5.97 |
| * Includes demand charges of ₹ 38.67 Million (₹ 30.59 Million for 2012-13) | | |
| The unit cost per KWH excluding Demand charges is ₹ 5.51 (₹ 5.28 for 2012-13) | | |
| b) Own Generation | | |
| i) Through Diesel Generator (at Sarpady) | | |
| Unit (Million KWH) | 0.18 | 0.28 |
| Unit per ltr. Of Diesel (KWH/ltr.) | 3.23 | 3.22 |
| Cost / Unit (₹ /KWH) | 15.77 | 14.09 |
| ii) Through Steam turbine generator | | |
| Unit (Million KWH) | 746.51 | 688.78 |
| Unit per liter Of Fuel Oil (KWH/ltr) | 3.02 | 2.91 |
| Cost / Unit (₹ /KWH) | 12.60 | 12.78 |
| iii) Gas turbine Generator | | |
| Unit (Million KWH) | 49.38 | - |
| Unit per liter LGO (KWH/ltr) | 2.11 | - |
| Cost / Unit (₹ /KWH) | 23.16 | - |
| 2. Fuel Oil | | |
| Quantity (MT) (Oil + Gas) | 984501.00 | 887937.00 |
| Total Amount (₹ In Million) | 39038.64 | 35929.08 |
| Average Rate (₹ /MT) | 39653.20 | 40463.55 |
| 3. Others / Internal Generation | | |
| Diesel (at Sarapady) | 56.74 | 86.68 |
| Quantity (KL) | 2.89 | 3.94 |
| Total Cost (₹ Million) | 50873 | 45416 |
| Rate (₹ /KL) | | |
| 4. Consumption per unit production | | |
| Total crude processed (TPA) | 14546787 | 14402524 |
| Total Fuel Consumed (TPA) (includes fuel and loss) | 1040206 | 963900 |
| Total Electricity (Million KWH) (after deducting external supply) | 843.85 | 732.78 |
| Fuel Consumption, MT/ MT of Crude processed (%) | 7.15 | 6.69 |
| Electricity Consumption, KWH / MT of Crude processed | 58.01 | 50.88 |

FORM - B

A) Research and Development (R&D)

1. Specific Areas in which R&D carried out by the company 2013-2014:

a) Crude Assay

Crude Assay was carried out using TBP apparatus for following crudes:
Abu Safeh, Dalia, Kissanje and Zafiro

b) Additives Evaluation

Additives were evaluated for improving the Diesel Lubricity.

c) Crude Blend Compatibility

Crude blends compatibility Experiments were carried out and a graphical model developed for the prediction of compatibility of crude oil mixtures.

2. Benefits derived as a result of the above R&D:

- Assay of various crude helped Operation to optimize unit-operating conditions to maximize product yield and product quality.
- Additive evaluation has helped operation units to optimize the dosage levels and explore the possibilities of using Bio-diesel as diesel performance improving additives.
- Crude oil blends compatibility prediction helped operation units and Process Engineering for optimizing the crude blends.

3. Future plan of Action:

- To develop a process for Ammonical Nitrogen reduction in Effluent water sample.
- Study on FCC catalyst.

4. Expenditure on R&D:

- ❖ Capital: ₹ 50.30 lakhs
- ❖ Revenue: ₹ 38.30 lakhs
- ❖ Total: ₹ 88.60 lakhs

B) Technology Absorption, Adaptation & Innovation.

- Your Company has made efforts towards technology absorption, adaptation and innovation.
 - Technologies for process units of Phase3 units, HGU3, DHDT, have been absorbed.
 - CDU1 unit has been revamped with pre-flash column to enhance unit capacity from 3.69 to 4.8 MMTPA without changing the furnace duty. The revamped unit was commissioned in October 2011.
 - HCU1& HCU2 units have been revamped, for enabling once-through mode operation to feed upcoming PFCC unit in Phase -III and were re-commissioned in October 2011 and April-2012 respectively.
 - Gas Oil Hydro-desulfurisation unit capacity revamp completed which increased plant capacity by 30% during 2009 April.
- Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.
Refinery throughput sustained at 14.547 MMTPA while meeting Clean Fuel specifications, which required higher complexity operations.
GOHDS/DHDT unit capacity revamp has improved the Refinery capability of producing Euro – III & Euro-IV grade Diesel.
- In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished.
 - Technology imported
GOHDS unit capacity revamp, HCU-1 & HCU2 revamp to once-through mode, HGU3 and DHDT in 2013.
 - Year of import
2008-09, 2010-11, 2013-14
 - Has technology been fully absorbed?
Yes.
 - If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.
Not applicable.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ In Crore)

| | Financial Year 2013- 14 | Financial Year 2012- 13 |
|---|------------------------------------|------------------------------------|
| Foreign Exchange Earnings – (FOB value of exports) | 33952 | 32180 |
| Foreign Exchange Outgo | 65678 | 56137 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT, 2013-14

1 Economy Overview

The state of global economy has been the most decisive factor affecting the fortunes of every developing country. Changing economic and business conditions, evolving consumer preferences, rapid technological innovation and adoption and globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Companies in this environment are now focusing even more on their core business objectives, such as revenue growth, profitability and asset efficiency.

The global economy began its modest recovery in financial year 2013-14 with improved demand from emerging economies in the second half of 2013. While the trend is expected to accelerate in the current year, the positive outlook is subdued by the potential consequences of 'tapering' of some of the US Federal Reserve's Quantitative Easing (QE) policies which were undertaken in the aftermath of global financial crises.

Emerging markets like India faced multiple challenges, capital outflows, intense exchange rate pressures and volatile current account movement. A combination of persistent inflation, fiscal imbalances, external sector vulnerabilities and low investments resulted in sluggish growth in domestic demand. A cocktail of geo-political risks, domestic monsoon worries and higher than expected wholesale inflation has pushed the rupee towards a lower level against the US dollar. However, the Reserve Bank of India (RBI) aims at checking excessive volatility in foreign exchange market. Fiscal and monetary initiatives taken by the Indian government and the Reserve Bank of India (RBI) helped to stabilize financial market conditions, but the domestic macro-economic environment continues to remain challenging.

Economic recovery in the US and Europe had a positive impact on oil demand, which increased by 1.3 million barrels per day (MMBPD) in 2013. Crude oil prices fluctuated extensively driven by supply concerns in Libya, South Sudan, West Africa, Syria, Egypt and Iraq. Geopolitical uncertainty has also risen, in part due to the events in Ukraine. Higher US shale oil production helped offset the impact of these disruptions with Brent crude oil prices averaging marginally lower at \$ 108.7 per barrel in 2013.

The most concerning chapter for India during last two years was the weakening of rupee against dollar, the rise in crude prices may add downside pressure on rupee. The rupee may trade on negative note on the back of rise in risk aversion in the global markets in view of geo-political tension in Iraq and Ukraine. Further, dollar demand from importers and intervention from central Bank may keep currency under pressure.

The outlook for the Indian economy has improved in the first quarter of 2013-14 with cautiously positive business sentiments, improved consumer confidence, expectations of a modest recovery in growth and decline in inflation expectations. GDP growth at 4.7 % in Q3 of 2013-14, was slightly higher than that in the previous year.

A moderate recovery is likely to set in 2014-15 broadly in line with the Reserve Bank's indicated projections in January, 2014. However, data revisions for previous quarters and the consequent changes in base effects impart uncertainty to the growth trajectory ahead. The pace of recovery, nevertheless, is likely to be modest. The recovery is likely to be supported by investment activity and improved business and consumer confidence, with a stable government at the center.

Source:

- General Assessment of the Macroeconomic Situation, Organization for Economic Co-operation & Development (OECD) Economic Outlook, Volume 2014/1.
- Macro Economic and Monetary Developments 2014-15 Report by Reserve Bank of India.

2. Industry Overview

Weak demand conditions kept global commodity price indices, for most of the primary commodities, well contained during 2013. In the baseline scenario, commodity prices are unlikely to increase significantly during 2014. The

demand pressures are expected to remain muted against the backdrop of an expected gradual recovery in the advanced and emerging market economies and improved supplies. Brent crude oil spot prices averaged around US\$ 108/ barrel (bbl) during Q4 of 2013-14. As per the US Energy Information Administration (EIA), the Brent crude oil price is projected to average at US\$ 105/bbl and US\$ 101/bbl in 2014 and 2015 respectively, thus imparting a mild softening bias.

There has been considerable increase in refining capacity in the country over the years. The refining capacity has been increased by over 15% since 2011. It is expected that the refining capacity of the country will reach to 307 MMTA by the end of XII plan period i.e. 2017. The Refinery production (crude throughput) was 222 MMT during 2013-14 as against 219 MMT in 2012-13.

Refining margins were weak during the year 2013-14. Increasing domestic US light crude production has dramatically cut demand for imported gasoline, with US exports of surplus gasoline competing with those from Europe in the West African and Latin American markets. The picture is unlikely to improve for refiners in the coming year. The price differential between 'light -sweet' and 'heavy sour crude oil' remained at the same level as it was in the manufacture, giving no reward for processing sour crudes.

Comparison of Major Product Cracks during 2012-13 & 2013-14

| PRODUCT CRACKS | FY 13-14(\$/BBL) | FY 12-13(\$/BBL) |
|----------------|------------------|------------------|
| NAPTHA | -6.63 | -8.17 |
| MS | 9.92 | 12.12 |
| HSD | 14.83 | 15.11 |
| ATF | 14.22 | 16.18 |
| F.O | -11.69 | -8.8 |

Crude Imports by India:

Over the years, crude oil import has been growing due to increased refining capacities and India imports 80 % of its total crude requirement. This trend is expected to continue as there is no much improvement in the domestic production and new discoveries of crude oil.

India imported 190 MMT of crude during the year 2013-14 compared to 185 MMT in 2012-13. Though the crude prices on an average (Brent \$ 107.5/bbl) during the financial year 2013-14 was lower as compared to the previous financial year 2012-13 price of (Brent \$ 110/bbl). The volatility in the prices of crude oil and exchange fluctuations has a huge impact on the crude and product valuations.

India's consumption & production pattern of petroleum products

('000 MT)

| Product | Consumption | | Production | |
|------------|-------------|---------|------------|---------|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| LPG | 16336 | 15603 | 10115 | 9830 |
| MS | 17128 | 15741 | 30267 | 30120 |
| NAPHTHA | 11454 | 12283 | 18420 | 18851 |
| ATF | 5505 | 5271 | 11237 | 10189 |
| SKO | 7165 | 7501 | 7412 | 8057 |
| HSD | 68369 | 69164 | 93749 | 91090 |
| F.O & LSHS | 6193 | 7656 | 13423 | 15840 |
| PET COKE | 11651 | 10135 | 11261 | 7813 |
| TOTAL | 143801 | 143354 | 195884 | 191790 |

Source: Petroleum Planning & Analysis Cell, MoP&NG, Govt. of India (PPAC)

The consumption of petroleum products in financial year 2013-14 is increased by 0.3% compared to financial year 2012-13 and the Production