



27TH ANNUAL REPORT 2014 - 15

SURGING TOWARDS A NEW ERA



MANGALORE REFINERY AND PETROCHEMICALS LTD.
(A subsidiary of ONGC)

www.mrpl.co.in



MANGALORE REFINERY AND PETROCHEMICALS LIMITED

(A subsidiary of Oil and Natural Gas Corporation Limited)

CIN: L85110KA1988GOI008959

BOARD OF DIRECTORS AS ON 01/07/2015

Shri D. K. Sarraf	Chairman
Shri H Kumar	Managing Director
Shri Vishnu Agrawal	Director (Finance)
Shri M. Venkatesh	Director (Refinery)
Shri B. K. Namdeo	Director
Shri Nalin Kumar Srivastava	Director
Smt. Perin Devi	Director

COMPANY SECRETARY

Shri Dinesh Mishra

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 Bandyopadhyaya Bhaumik & Co,
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.

REGISTERED OFFICE AND INVESTOR RELATION CELL

MANGALORE REFINERY AND PETROCHEMICALS LIMITED

Mudapadav, Kuthethoor, P.O. Via Katipalla

Mangalore- 575030, Karnataka

Tel. : 0824-2270400 Fax : 0824-2273300

Website : www.mrpl.co.in

INVESTOR RELATION CELL

LGF, Mercantile House

15, K.G. Marg, New Delhi – 110001

Tel : 011-23463100 Fax : 011-23463201

E-mail: investor@mrpl.co.in

REGISTRARS & 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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BOARD OF DIRECTORS



Shri D. K. Sarraf
Chairman



Shri H. Kumar
Managing Director



Shri Vishnu Agrawal
Director (Finance)



Shri M Venkatesh
Director (Refinery)



Shri B. K. Namdeo
Director (HPCL Nominee)



Shri Nalin Kumar Srivastava
Govt. Director



Smt. Perin Devi
Govt. Director



Board of Directors Meeting held on 22/05/2015

Chairman's Message to Stakeholders



Dear Stakeholder,

At the outset I thank you for your continued support and trust. Despite Global and Domestic challenges, your Company has sustained the unprecedented volatile business environment while consolidating its position in the industry. Let me highlight some of the major accomplishment during the year 2014-15, which would not have been possible without your support.

- During the year 2014-15, your Company has successfully commissioned all the Secondary Units of Phase-III Refinery Expansion and Upgradation Project.
- The Polypropylene (PP) unit was commissioned and started commercial production since June, 2015.
- Your Company have achieved 1250 accident free days as on 01/07/2015 with 13.2 million man hours worked.
- Both ICRA and CRISIL have re - affirmed highest Corporate Credit Rating to the your company in March, 2015.
- Crude processed at 14.65 MMT during the year 2014-15 against 14.55 MMT during the previous year 2013-14.

Your Company has retained its strong market presence in its Refinery zone for various petroleum products and also

been able to evacuate Petcoke and Sulphur on a consistent basis in domestic as well as international market.

Your Company has successfully commenced commercial production of Polypropylene from its Polypropylene (PP) Plant as part of its Phase III Refinery expansion and upgradation project w.e.f. 18th June, 2015. The plant has capacity to produce 4,40,000 TPA Polypropylene. The Feed Stock for the Polypropylene plant, polymer grade propylene, is produced from upstream Petrochemical Fluidised Catalytic Cracking Unit (PFCCU).

The deregulation of HSD pricing has opened up opportunities for recommencing the retail business. The first Dealer operated Retail Outlet at Mangalore was setup in December, 2014 and is in the process of setting up many more retail outlets.

Your Company is growing from strength to strength, notching benchmarks in the Indian Oil Industry across indices in production, turnover, capacity utilization, energy utilization, environment care, project implementation and quality management process.

With the successful commissioning of all the units of Phase-III, your Company is now capable of processing most difficult crudes from 18 API (blended) to 46 API gravity and light to heavy/sour to sweet crudes and also capable to handle High TAN Crudes.

The Management of your Company believes that in order to achieve sustainable growth, it is important to proactively invest in future and hence it was a strategic objective to build more capacity, bring in cutting edge technology and diversify along the hydrocarbon value chain.

Stakeholders are aware of the challenges that your Company faced during this phase of investment and consolidation. With your support, we have been able to achieve the initial part of the objective, i.e. building capacity with the latest technology and now the focus of your company will be on consolidation and value chain integration to create more value for the stakeholders.

Skilled, dedicated employees are an important anchor in your company for achieving the Vision of your company

i.e., To be a world-class Refining & Petrochemicals Company, with a strong emphasis on Productivity, Customer Satisfaction, Safety, Health & Environment Management, Corporate Social Responsibility and Care for Employees.

Your Company is committed towards:

- Sustain Leadership in energy conservation, efficiency, productivity and innovation.
- Capitalize on emerging opportunities in the domestic and international market.
- Strive to meet customers' requirements to their satisfaction.
- Maintain global standards in health, safety and environmental norms with a strong commitment towards community welfare.
- Continuing focus on employee welfare and employee relations.

We demand integrity and personal accountability at every level of the company with an unwavering commitment to safety and environmental stewardship.

We respect the laws, customs and cultural values of the communities where we operate, and work with stakeholders who share our commitment.

Safety continues to be a top priority for your company as it stands dedicated to the cause of Health Safety and Environment management system to prevent and minimize loss due to fires and other accidents and for the protection of the environment. Safeguarding our workers, communities and the environment is company wide commitment and fundamental to our philosophy.

Your Company is committed to continuing excellence in petroleum refining in harmony with Nature. The product portfolio comprises quality products, eco-friendly grades and the processing itself is carried out in an eco friendly and safe environment using sound/ efficient technologies. Efficient use of resource such as raw material, water and energy is compulsory. Therefore your Refinery is a certified ISO 14001: 2004 for Environment Management Systems by TUV Rheinland.

Your Company believes that businesses that address the needs and aspirations of consumers as well as social and environmental challenges will thrive in the long term. This is the foundation of what it means to be future ready.

The Corporate Social Responsibility / Sustainable Development objective of your Company are:

- To ensure an increased commitment at all levels in the organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders.
- To take up programs that benefit the communities in and around its operation for enhancing the quality of life and economic well being of the local community, with special care and attention to the weaker section of the society.
- To generate through its CSR initiatives, a community goodwill for your company and help reinforce a positive and socially responsible image.

Your Company remains deeply committed to socially inclusive sustainable development aimed improving the living conditions of under-privileged communities in the vicinity of the Refinery.

Your Company continues its focus on employee welfare and employee relations and continues 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.

I would like to place on record my sincere appreciation to the Board of Directors for their support and guidance. I would also like to express my gratitude to all our stakeholders for their continued support, patronage, trust and confidence.

(D. K. Sarraf)
Chairman



Ushering in prosperity: Shri Dharmendra Pradhan, Hon'ble Minister of State (Independent charge) MoP&NG, GoI along with Shri Nalin Kumar Kateel, Hon'ble MP, Mangaluru lighting lamp at MRPL Head Office at Mangaluru, during his visit to MRPL.



Shri Dharmendra Pradhan, Hon'ble Minister of State, Petroleum & Natural Gas (Independent Charge) Addressing the stakeholders on the occasion of Inaguration of "POLYPROPYLENE" Unit of MRPL.



Shri Dharmendra Pradhan, Hon'ble Minister of State, Petroleum & Natural Gas (Independent Charge) along with Shri Nalin Kumar Kateel (Hon'ble MP Mangaluru) Inaugurated the "POLYPROPYLENE" Unit of MRPL.



Shri Pralhad V Joshi Chairman, Standing Committee, MoP&NG and Hon'ble M.P. Dharwad, flagged off First consignment of Polypropylene "MANGPOL" from Polypropylene Unit of MRPL.



ONGC Mangalore Petrochemicals Limited
(A subsidiary of MRPL)



OMPL Process Units



OMPL State-of-the-art Petrochemical Lab

BOARD'S REPORT

Dear Members,

On behalf of the Board of Directors, I take pleasure in presenting the Board's Report on the performance of your Company, together with the Audited Financial Statements and Auditors' Report and the Report of the C&AG of India for the financial year ended 31/03/2015.

1.0 THE STATEMENT OF COMPANY'S AFFAIRS:

1.1 PERFORMANCE AT A GLANCE

- Crude processed at 14.65 MMT during the year 2014-15 against 14.55 MMT during the previous year 2013-14.
- Turnover at ₹ 62,412 Crores during the year 2014-15 against ₹ 75,226 Crores for the previous year 2013-14.
- Export Turnover at ₹ 22,790 Crores during the year 2014-15 against ₹ 35,392 Crores for the previous year 2013-14.
- After Tax Loss ₹ 1,712 Crores during the year 2014-15 against Profit of ₹ 601 Crores for the previous year 2013-14

1.2 FINANCIAL PERFORMANCE

The Audited Standalone / consolidated financial performance for the year ended 31/03/2015 is summarized below:

(₹ In Crores)

	Standalone		Consolidated	
	Year ended 31 st March, 2015	Year ended 31 st March, 2014	Year ended 31 st March, 2015	Year ended 31 st March, 2014
Turnover	62412	75226	62051	74952
Profit before Depreciation Interest and Tax	(1250)	1437	(1325)	1448
Interest and Finance Charges	407	321	448	323
Gross Profit after interest but before Depreciation and Tax	(1657)	1116	(1773)	1125
Depreciation and Amortizations	499	706	522	707
Profit/(Loss) Before Tax	(2156)	410	(2295)	418
Provision for Taxation (deferred tax liability)	(444)	(191)	(442)	(188)
Profit/(Loss) after Tax	(1712)	601	(1853)	606
Balance of Profit/(Loss) brought forward from previous year	4839	4238	4858	4252
Surplus available for appropriation	3075	4839	3003	4858

1.3 OPERATIONAL PERFORMANCE:

- Your Company had processed highest ever crude of 14.65 MMT during the financial year 2014-15 compared to 14.55 MMT during the previous year.
- The operating margin was 3.44 \$/bbl during 2014-15 as against 1.69 \$/bbl during 2013-14.

- Your Company has achieved export turnover of ₹ 22,790 Crores during the financial year 2014-15 by exporting products viz., Motor Spirit, Naphtha, Mixed Xylene, High Speed Diesel, Jet fuel and Fuel Oil.

1.4 DIVIDEND AND TRANSFER TO RESERVES:

During 2014-15, your Company has incurred loss of ₹ 1,712 Crores. Hence, your Directors have not recommended any dividend for FY 2014-15 and no amount has been transferred to General Reserve during the FY 2014-15.

1.5 DEPOSIT:

Your Company has not accepted any fixed deposit during the year from the public. As on 01/04/2014, certain customer advances remained unpaid which were classified as deemed deposits under the provisions of the Companies Act, 2013 and were refunded to customers during the year.

1.6 PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to Financial Statements. Full particulars of Loans given, Investments made and Guarantees given, and Securities provided are furnished in the notes to Financial Statements forms part of the Annual Report.

1.7 SHARE CAPITAL:

The Authorised Share Capital of the company has been increased from ₹ 2,000 Crores to ₹ 3,000 Crores. The Issued, Subscribed and Paid up Equity Share Capital of your Company as on 31/03/2015 stood at ₹ 1,753 Crores. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity as any kind of securities.

1.8 MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF FINANCIAL YEAR AND DATE OF REPORT.

There is no occurrence of material change and commitment made between the end of financial year and date of this report which has affected financial position of the company.

1.9 CREDIT PROFILE

- After Annual surveillance, the highest Corporate Credit Rating has been reaffirmed by both ICRA and CRISIL in March 2015.
- ICRA has reaffirmed "Ir AAA" to MRPL.
- "[ICRA] AAA" for ₹ 3,000 Cr. Fund- Based limits of MRPL.
- "[ICRA] A1+" to ₹ 4,000 Cr. Non-Fund based limits of MRPL.
- "[ICRA] A1+" to ₹ 900 Cr. Commercial Paper Programme to MRPL.
- CRISIL has reaffirmed the highest Corporate Credit Rating "[CCR AAA]" to MRPL.

2.0 MARKETING & BUSINESS DEVELOPMENT:

Your Company has retained its strong market presence in its Refinery zone for various petroleum products and also been able to get a good market reach for Petcoke. Company could evacuate Petcoke and Sulphur on a consistent basis in domestic as well as export market.

With entry of natural gas pipeline in North Karnataka & Goa, customers earlier using Fuel Oils are shifting to Gas, leading to shrinkage of liquid fuels market. However, due to commissioning of the Petcoke unit in MRPL, Company has carried good market development and has already attained market leadership for Petcoke sales in South India.

Your Company continues to expand its market spread in the direct sales segment of petroleum products in the state of Karnataka and its adjoining states. Your Company has significant market share and direct customer relations for products such as Bitumen, Fuel Oil, Sulphur, Diesel, Petcoke and Mixed Xylene in its refinery zone. The total sales volume of direct marketing products during the FY 2014-15 was 0.81 MMT with a sales value of ₹ 1,926 Crores compared to volume of 0.46 MMT and sales value of ₹ 2,291 Crores in the previous FY 2013-14.

The deregulation of HSD pricing has opened up opportunities for recommencing the retail business. Your company has significantly increased HSD sales in its refinery zone. Domestic sale of Sulphur has also increased considerably against previous year. Your Company has commissioned its first dealer operated Retail Outlet at Mangalore in December, 2014 and is in the process of setting up large number of retail outlets in its refinery zone.

Your Company has set up a Polypropylene plant of 440 KTPA capacity and company has already appointed required channel partners in initial primary target markets for marketing of Polypropylene. Detailed Market study has been completed and Sales are expected to commence soon. In addition, Your Company is also developing its own storage infrastructure for Polypropylene in Karnataka.

3.0 HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

Your Company have achieved 1212 accident free days as on 18/05/2015 with 12.10 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. Regular Mock exercises were conducted considering the various emergency scenarios in plant and non plant areas.

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 by TUV Rheinland. The major achievements on the Environment Management and performance are summarized as under:

In Environment Management, the company's Philosophy is to perform beyond Compliance - that is to perform better than minimum required by statutes. The major Achievements on the Environment Management front include:

- Water Audit Study conducted in the Refinery by M/s. National Productivity Council, Hyderabad.
- Marine Quality Monitoring at Single Point Mooring (SPM) conducted by M/s. College of Fisheries, Mangalore.
- Utilization of Sewage Treatment Plant (STP) water as make-up to cooling towers carried out. This measure is directly resulted in reduction of fresh water consumption.
- A Sulphur Pastillation Unit is commissioned as a part of Phase - III Project to reduce the dust emissions.
- Inspection of Tier - I facility of SPM was carried out by OISD & Indian Coast Guard in the month of March, 2015.
- CTBD (Cooling Tower Blow Down) system of WWTP - III commissioned in the month of March, 2015.
- VOC Recovery system is commissioned in WWTP - III.
- SOx & NOx Stack Online Analyzer data of Phase - I & II units connected to CPCB server in the month of March, 2015.
- Hydrocarbon detectors at strategic locations in the refinery are provided.
- VOC Emission monitoring carried out in the refinery through reputed agency at 74000 points and corrective measures are taken to effectively minimize the same, wherever needed.
- Periodic Manual Stack Monitoring is being carried out by MoEF/KSPCB approved external agency.
- Ambient Air Quality Monitoring is carried out by MoEF/KSPCB approved external agency in and around the refinery at 9 location including 4 locations in Phase - III area as per revised National Ambient Air Quality Monitoring Standards published by Ministry of Environment & Forests.
- An advanced technology has been employed for cleaning Crude Tanks in the refinery which results in lower oil content in the Tank sludge.
- Environment Awareness Programmes was organized periodically in the neighboring villages in association with Karnataka State Pollution Control Board.
- 70-75% of the total treated Effluent is recycled back to the cooling towers.
- Continuous online monitoring of Analyzers installed to monitor Treated Effluents for parameters like pH, Sulphide, Dissolved Oxygen, Phenols, before discharged to sea.