



**Mangalore Refinery And Petrochemicals Limited**  
**9th Annual Report 1996-97**





## CHAIRMAN'S MESSAGE



The Indian Economy is in the midst of unprecedented change with liberalisation, deregulation and globalisation reshaping the entire landscape bringing in new challenges and ever-increasing opportunities.

In the Hydrocarbon sector significant policy initiatives have been announced. The Government has liberalised terms for private sector participation. Marketing of lubricants has been decontrolled. Phased withdrawal of Administered Price Mechanism is under consideration.

MRPL, the first joint sector refinery in India was commissioned in March 1996 and the year 1996-97 has been its first full year of operation. The refinery has done exceedingly well with a crude throughput of 2.806 million tonnes amounting to a capacity utilisation of 93.54%. The

Company is expanding the capacity from the present level of 3 million tonnes to 9 million tonnes to enable it to compete effectively in the liberalised environment. The expansion project is progressing as per schedule and is expected to be completed in 1999.

During the year, the company has raised over US\$ 210 million at very attractive rates of interest. A large amount of Rupee Loans were also raised to meet the shortfall arising out of delayed settlement of dues from OCC as also for meeting the requirements of the expansion project.

MRPL's high standard of operations is matched by an equal concern for the environment. Its commitment to the protection of the ecological system goes well beyond the Design & Operation Stage to continuous monitoring of quality of emissions. Providing a better quality of life to society at large is a high priority area and MRPL is committed to improving the lifestyle of local communities.

In the coming years, the Hydrocarbon Sector is expected to see an era of intense competition. I am confident that MRPL's performance in the coming years specially with the commissioning of the expansion project would enable it to face competition successfully.

A handwritten signature in dark ink, likely of H. L. Zutshi, is placed above the printed name.

**H. L. Zutshi**  
Chairman



## BOARD OF DIRECTORS

H. L. Zutshi, Chairman  
 Kumar Mangalam Birla  
 M. C. Bagrodia  
 S. K. Kerr  
 Bansi S. Mehta  
 C. Ramulu  
 A. J. Advani (ICICI Nominee)  
 Jagdeesh M. Mehta, Managing Director (F&A)  
 S. K. Mukherjee, Managing Director (Tech.)

## SENIOR EXECUTIVES

V. K. Talithaya, Vice President (P&A)  
 J. C. Laddha, Asso. Vice President (Finance)  
 Vimal Kejriwal, Asso. Vice President

## AUDITORS

M/s Lodha & Co., Chartered Accountants  
 M/s Sharp & Tannan, Chartered Accountants

## ADVISORS

K. T. Krishnamurti (Tech.)  
 C. O. Keswani (Projects)

## SOLICITORS

M/s Mulla & Mulla & Craigie Blunt & Caroe

## COMPANY SECRETARY

Vimal Kejriwal

## BANKERS

State Bank of India

Corporation Bank

Bank of America

Punjab National Bank

Citibank N. A.

ABN Amro Bank

Bank of Baroda

Canara Bank

Bank of India

American Express Bank

Barclays Bank

## REGISTERED OFFICE

Mudapadav, Kuthethoor P.O. Via Katipala  
 Mangalore 574 149, Karnataka

## INVESTOR RELATIONS CELL

Arcadia, 7th Floor, 195 N.C.P.A. Marg,  
 Nariman Point, Mumbai - 400 021.

## REGISTRAR AND TRANSFER AGENTS

M/s. MCS Limited,  
 Sri Venkatesh Bhavan,  
 Plot No. 27, Road No. 11,  
 M.I.D.C., Andheri(E),  
 Mumbai - 400 093

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## NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Mangalore Refinery And Petrochemicals Limited will be held at the REGISTERED OFFICE OF THE COMPANY AT MUDAPADAV, KUTHETHOOR P.O. VIA. KATIPALA, MANGALORE 574149 on 29th November, 1997 at 4.30 p.m. to transact with or without modifications as may be permissible, the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account and Balance Sheet as at 31st March, 1997 and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri M. C. Bagrodia who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint Joint Auditors and to fix their remuneration and in this connection, to pass, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s. Lodha & Co., Chartered Accountants, Mumbai, and M/s. Sharp & Tannan, Chartered Accountants, Mumbai, the retiring Joint Auditors be and are hereby re-appointed as Joint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed between the Auditors and the Board of Directors of the Company for the said period."

### SPECIAL BUSINESS:

4. To appoint a Director in place of Shri S. K. Kerr, who was appointed by the Board under Section 262 of the Companies Act, 1956 and Article 139 of the Articles of Association of the Company as a Director to fill in a casual vacancy on the Board caused by the resignation of Shri D. S. Mathur and who holds office under the provisions of the said Article and the Section upto the date of this Annual General Meeting and in respect of whom the Company has received notices in writing along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 from some members signifying their intention to propose Shri S. K. Kerr as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Articles of Association of the Company and of the Companies Act, 1956 Shri S. K. Kerr be and is hereby elected and appointed as a Director of the Company, liable to retirement by rotation."

5. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT supplemental to the earlier resolution passed at the Annual General Meeting of the Company held on 29th September, 1995, consent of the Company be and is hereby accorded to the Board of Directors pursuant to the provisions of Section 293(1)(d) read with Section 293(1)(a) of the Companies Act, 1956 to borrow monies, from time to time, either by way of rupee loans or by way of foreign currency loans or by way of issue of debentures or by issue of any other instruments and either from the Company's Bankers or from any other Banks/Financial Institutions or any other lending institutions or bodies corporate or other persons on such terms and conditions and covenants stipulated and as may be considered appropriate by the Board of Directors, not exceeding in the aggregate at any point of time Rs.6500 crores (Rupees six thousand five hundred crores) notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to secure the aforesaid borrowings together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment or on redemption, remuneration of

Agent(s)/Trustee(s) and all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of the loan agreements/debenture trust deeds or any other document entered into/to be entered into between the Company and the Lender(s)/Agent(s)/Trustee(s) in respect of the said loans/borrowings/debentures either by way of mortgage (including equitable mortgage), hypothecation, pledge, and/or lien in addition to the mortgages/charges created/ to be created by the Company, on such terms and conditions, in such form and manner and with such ranking for priority and at such times as the Board of Directors may determine on all or any of the property including land, building, plant, machinery, other fixed assets, stock in trade, book debts, bank deposits, shares, securities and any other assets of the Company as held presently and/or to be acquired in future and by giving guarantees, indemnities, undertakings for and on behalf of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to finalise, settle and execute all documents/ deeds/agreements as may be required and generally to take all other necessary steps and do all acts, deeds, matters and things, as it may in its absolute discretion deem necessary, expedient, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating the aforesaid mortgages/ charges or otherwise considered by the Board of Directors to be in the best interest of the Company."

6. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto and subject to such approvals, if any, as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri S. K. Mukherjee, as Managing Director (Tech.) for a period of 5 years w.e.f. 4th July, 1997 on the terms and conditions as set out in the Explanatory Statement attached to this Notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

**Registered Office:**  
Mudapadav, Kuthethoor P.O.  
Via. Katipala  
Mangalore 574149

Mumbai, 29th September, 1997

By Order of the Board

**VIMAL KEJRIWAL**  
Asso. Vice President and  
Company Secretary

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORMS SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
2. Explanatory Statement pursuant to Sec.173(2) of the Companies Act, 1956 in respect of Item Nos. 3 to 6 of the Notice set out above is annexed hereto.
3. Members are requested to notify change in address, if any, immediately to the Registrars, M/s. MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C., Andheri (E), Mumbai - 400 093 quoting their Folio Numbers.
4. Members holding more than one Share Certificate in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant Share Certificates to the Registrars.





## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### Item No. 3

Section 224A of Companies Act, 1956 provides for the appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors of a Company by a Special Resolution if the Company is one in which not less than 25% of the Subscribed Share Capital is held singly or in combination by the Public Financial Institutions, Government Companies, etc. The shareholding of Hindustan Petroleum Corporation Limited, a Government Company, exceeds 25% of the Subscribed Capital of the Company and hence a Special Resolution is required for the re-appointment of Auditors.

As required by the above Section, M/s. Lodha & Co. and M/s. Sharp & Tannan, have forwarded their respective certificates to the Company stating that the re-appointment, if made, will be within the prescribed limits specified in Section 224(1B) of the Companies Act, 1956.

#### Item No. 4

During the year under review Shri D. S. Mathur, who was a Director appointed by the Company in General Meeting resigned as a Director of the Company and in his place Shri S. K. Mukherjee was appointed on the Board to fill in the casual vacancy. On Shri Mukherjee's appointment as Managing Director (Tech.), Shri S. K. Kerr was appointed in his place to fill in the aforesaid casual vacancy. In terms of Article 139 of the Articles of Association of the Company and pursuant to Section 262 of the Companies Act, 1956, Shri S. K. Kerr holds office only upto the date of this Annual General Meeting. Although, not strictly applicable, by way of abundant caution, notices have been received from some members of the Company under Section 257 of the Companies Act, 1956, along with deposit of Rs.500/- proposing Shri S. K. Kerr's candidature for the office of a Director liable to retire by rotation. Shri S. K. Kerr is Director (P&A) in Hindustan Petroleum Corporation Limited, who is one of the Promoters of the Company. His long experience in the Oil Industry can advantageously be availed of by the Company for its benefit. The Directors accordingly recommend the resolution for the approval of the Shareholders.

Shri S. K. Kerr is deemed to be concerned or interested in this resolution relating to his appointment.

#### Item No. 5

At the Seventh Annual General Meeting held on 29th September, 1995 the Shareholders had approved the borrowing of money upto Rs.5000 crores. Keeping in view the fact that the Company will have to borrow large amounts from time to time for the implementation of the expansion project for increasing the capacity of the refinery from 3 MMTPA to 9 MMTPA and for meeting its long term working capital requirements and for other matters connected with the business of the Company, it is proposed that the authority given to the Board to borrow amounts be increased upto Rs.6500 crores.

Section 293(1)(d) of the Companies Act, 1956 requires the consent of the Company in General Meeting for authorising the Board of Directors to borrow monies for the purposes of the Company, where the monies to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) together with the monies already borrowed exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. Section 293(1)(a) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a public company shall not without the consent of such public Company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Since the creation of a mortgage and/or charge by the Company on its movable and/or immovable properties in favour of the lender(s), may be regarded as disposal of the Company's undertaking within the meaning of section 293(1)(a) of the Companies Act, 1956, it is necessary for the members to pass a resolution under the said section. The resolution set out in this item of the accompanying notice is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

Accordingly, the Directors recommend the resolution set out at Item

No.5 of the accompanying notice for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

#### Item No. 6

The Board of Directors at its meeting held on 27th June, 1997 appointed Shri S. K. Mukherjee, nominee of HPCL, as Managing Director (Tech.), for a period of five years w.e.f. 4th July, 1997, in place of Shri R. M. Bardhan who has retired, in terms of Article 134 of Articles of Association of the Company and Sections 198, 269 and 309 of the Companies Act, 1956. The terms and conditions of appointment of Shri S. K. Mukherjee were approved by the Board at its meeting held on 29th September, 1997.

Shri S. K. Mukherjee is a Bachelor in Chemical Engineering. His wide and varied experience in the Oil Industry extending to a period of nearly 27 years can advantageously be availed of by the Company to its benefit. The terms and conditions of appointment of Shri S. K. Mukherjee are as under :

1. Period :  
Period of appointment is for five years with effect from 4th July, 1997.
2. Salary :  
Rs. 28,000/- per month (including Dearness and other allowances)  
Salary Grade : Rs. 11,500 - 13,500 per month (subject to revision)
3. Annual Increment :  
4% of Basic plus Personal Pay i.e. Rs.16,155.
4. Following perquisites as per the relevant applicable Rules of HPCL whose nominee he is on the Board.  
In addition to salary the following perquisites will be provided :
  - a. Housing : Company owned accommodation with standard deduction calculated as per HPCL Rules.
  - b. Medical Reimbursement : Reimbursement of Medical expenses for self and family as per the HPCL's Medical Insurance Scheme with M/s. New India Assurance Company Limited.
  - c. Leave Travel Allowance : Entitled for Air or First Class A/C Rail Fare for self, spouse, dependent children and parents from the place of work to anywhere in India by shortest route once in two years as per HPCL Rules.
  - d. Personal Accident Insurance : Personal accident insurance cover as applicable in line with HPCL Rules.

Apart from the above, other entitlements are as follows :

- a. Contribution to Provident Fund, Superannuation Benefit Fund Scheme in accordance with the Rules of HPCL.
- b. Gratuity at a rate not exceeding half month's salary for each completed year of service.
- c. Car with Driver at the place of work as per HPCL Rules in force from time to time.
- d. Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company.
- e. Leave as per the Rules of HPCL.

The appointment will be subject to termination by three months' notice in writing by either side.

So long as Shri S. K. Mukherjee functions as the Managing Director (Tech.) of the Company, he shall not be paid any sitting fees for attending the Meetings of the Board or any Committee thereof.

The above may be treated as an abstract of the terms of contract/appointment between the Company and Shri S. K. Mukherjee pursuant to section 302 of the Companies Act, 1956.

The Company should stand to gain considerably by the appointment of Shri S. K. Mukherjee as Managing Director (Tech.) of the Company and in the circumstances the Directors recommend the resolution set out in this Item No.6 of the accompanying Notice for your approval.

Shri S. K. Mukherjee is deemed to be concerned or interested in the resolution as it relates to his appointment.

**Registered Office:**  
Mudapadav, Kuthethoor P.O.  
Via. Katipala  
Mangalore 574 149

By Order of the Board

Mumbai, 29th September, 1997

**VIMAL KEJRIWAL**  
Asso. Vice President and  
Company Secretary



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the Ninth Annual Report of your Company together with the Audited Accounts for the financial year ended on 31st March, 1997.

### 1. FINANCIAL RESULTS

	(Rs. in Crores)	
	Year ended 31st March,	
	1997	1996 *
Turnover	1159.47	0.44
Profit before Depreciation, Interest and Tax	529.78	(1.52)
Interest	308.22	4.01
Gross Profit/(Loss) after Interest but before Depreciation and Tax	221.56	(5.53)
Depreciation	117.74	3.04
Provision for Taxation (MAT)	13.30	—
Profit After Tax	90.52	(8.57)
Less: Balance (Loss) brought forward	(8.57)	—
Profit available for Appropriation	81.95	—
Appropriations :		
Debt Redemption Reserve	81.95	—
Balance of Profit/(Loss) carried forward to next year	—	(8.57)

\* For the period from 25.3.96 to 31.3.96

### 2. DIVIDEND

Although your Company has made profits, in order to conserve funds for the growing requirements of the Company for expansion project/working capital and to meet the statutory requirements for creation of Debt Redemption Reserve, the Directors have not proposed any dividend for the year.

### 3. RETENTION MARGIN

The Petroleum Industry is covered under the Administered Pricing Mechanism (APM) of the Government of India (GOI). In terms of the tripartite Memorandum of Understanding (MOU) signed between the two Promoters of the Company and the GOI, Administered Pricing Scheme on similar principles as applicable to the existing Refineries from time to time would be extended to MRPL. In view of the above, MRPL has received letter dated 23rd February, 1996 from the GOI advising that APM as applicable to other Refineries would be applicable to MRPL also.

The provisional Retention Margins for the refinery have now been finalised by the Oil Co-ordination Committee (OCC). The Finalisation of the Annual Accounts of MRPL for 1996-97 has since been completed on the basis of the said provisional Retention Margins conveyed by OCC.

The Company has been receiving reimbursement from OCC on account of Crude Oil Price Equalisation (COPE) from the last week of October 1996. The reimbursement on account of Retention Margins have already commenced. The Company has taken up with OCC and the Ministry of Petroleum and Natural Gas (MOP&NG) for early settlement of the arrears in respect of Retention Margins and COPE outstandings.

This has resulted in cashflow constraints which have been met by resorting to borrowings by the Company from the Promoters, Financial Institutions and Banks. As a result, the interest burden on the Company has increased substantially. The Company has

accordingly represented to OCC/MOP&NG to compensate for interest costs incurred by the Company for the aforesaid additional borrowings caused by the delay in settlement of Retention Margins/COPE outstandings by OCC.

### 4. DEREGULATION

The Government of India has been considering gradual deregulation of the petroleum sector. The Directors are confident that adequate safeguards would be built in to take care of the interests of the domestic refining industry and also to attract fresh investments in order to meet the ever increasing demand/supply gap.

### 5. OPERATIONAL PERFORMANCE

The Directors are happy to report that the operations of the 3 MMTPA Refinery which had been commissioned on 25th March, 1996, three months ahead of schedule, have fully stabilised and all the units including the Hydrocracker have been operating satisfactorily.

During the year 1996-97, the Company has processed 2.806 MMT of Crude Oil resulting in an overall capacity utilisation of 93.54% for the year.

The main finished products of the Company include Light Distillates such as Liquefied Petroleum Gas (LPG), Motor Spirit (Petrol) and Naphtha, Middle Distillates such as High Speed Diesel, Superior Kerosene Oil and Aviation Turbine Fuel and Heavy Distillates such as Furnace Oil and Bitumen. The Company has despatched 2.432 MMT of finished petroleum products during the year.

### 6. EXPANSION PROJECT

The final Government approval for expansion of refinery capacity from 3 MMTPA to 9 MMTPA has been received on 21st November, 1996. As per the appraisal done by Industrial Credit and Investment Corporation of India Limited, the expansion which is estimated to cost approx. Rs.3690 crores is expected to be implemented over a period of 36 months from the zero date. The Company has tied-up the required debt (both foreign currency and rupee) for the expansion project. The Company has already committed expenditure of more than Rs.1390 crores for the expansion project. A consortium comprising of Toyo Engineering Corporation, Mitsui & Co. Ltd and Mitsubishi Corporation, Japan has been appointed as the Prime Management Contractor for implementing the expansion.

Technology for the process units has been supplied by the following reputed International Licensors

Process Unit	Technology Suppliers
1. Distillate Hydrocracker	UOP I-A, USA
2. Continuous Catalytic Regeneration Reformers	UOP I-A, USA
3. Hydrogen Unit	Kinetics Technology Inc., Netherlands
4. Sulphur Recovery Unit	Kinetics Technology Inc., Italy
5. Soaker Visbreaker	ABB Lummus/Shell, Netherlands
6. Kero/LPG Treating Unit	UOP I-A, USA

Land required for the expansion is already in place and Civil works have commenced at site. Orders for most of the critical and long delivery equipments have been placed.

As approved by the Members in the Extraordinary General Meeting held on 27th June, 1997 the Company allotted Fully Convertible Debentures to the extent of Rs.726 crores to the Promoter Companies for part financing the expansion project against which the Company has already received an amount of Rs.363 crores from the Promoter Companies.