

**MANGALORE REFINERY AND
PETROCHEMICALS LIMITED**



**13TH ANNUAL REPORT
2000 - 2001**

BOARD OF DIRECTORS

Shri H. L. Zutshi, Chairman
 Shri M. C. Bagrodia
 Shri P. Ramakrishnan
 Shri D. S. Mathur
 Shri C. Ramulu
 Shri B. N. Puranmalka
 Shri M. P. Modi (ICICI Nominee)
 Shri D. K. Deshpande Managing Director (Technical)
 Shri Ravi Kastia Managing Director (F&A)

SENIOR EXECUTIVES

Shri V. K. Talithaya Vice President (P&A)
 Shri J. C. Laddha Associate Vice President (Finance)

**COMPANY SECRETARY AND
 GENERAL MANAGER (FINANCE)**

Shri Lalit Kumar Gupta

REGISTERED OFFICE

Mudapadav, Kuthethoor P.O., Via Katipalla,
 Mangalore - 574 149, Karnataka.

INVESTOR RELATIONS CELL

Arcadia, 7th Floor, 195 N.C.P.A. Marg,
 Nariman Point, Mumbai - 400 021.
 E-mail : mrplbom@vsnl.com
 Tel. : 2822522 / 2822523
 Fax : 2029772

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AUDITORS

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

SOLICITORS

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

BANKERS

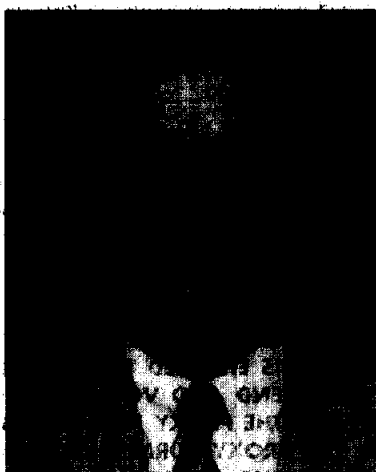
State Bank of India
 Bank of Baroda
 Canara Bank
 Punjab National Bank
 Bank of India
 Corporation Bank
 Oriental Bank of Commerce
 United Bank of India
 Citibank N. A.
 HDFC Bank
 ABN Amro Bank
 Vijaya Bank
 State Bank of Hyderabad

REGISTRAR AND TRANSFER AGENTS

MCS Limited,
 Sri Venkatesh Bhavan, Plot No. 27,
 Road No. 11, M.I.D.C., Andheri (E),
 Mumbai - 400 093.
 Tel. No. : 8215235
 E-mail: mcsmum@bom2.vsnl.net.in



CHAIRMAN'S MESSAGE



Dear Fellow Shareholders,

It gives me pleasure to inform you that MRPL's operational performance continues to be satisfactory. The expansion project has commenced commercial production from 10th April, 2001. The new jetty at the Mangalore port, to exclusively cater to the requirements of Phase - II Refinery, has been completed and is likely to be operational shortly. The dual operating streams and economies of scale, which is likely to accrue from the expansion project is expected to improve MRPL's operational performance in years to come.

The Government of Karnataka has granted incentive package upto an amount of Rs.250 crores p.a. for the Second Phase Refinery for a period of 14 years. Our request for reviewing and improving the incentive package for Phase - I as well as Phase - II is under consideration of Government of Karnataka.

The Phase - I Refinery (3 MMTPA) could not be operated since December 2000 due to lower domestic demand and low viability of exports. Rise in the international crude oil prices without corresponding increase in the products prices coupled with the existing tariff protection, which does not provide the required relief, continue to affect the refining margins of your Company.

Your Company has been offered 26% equity in the Share Capital of Petronet MHB Ltd. similar to that of Promoters of Petronet MHB Ltd. viz. HPCL and PIL (Petronet India Ltd.). This Company is laying 364 km long cross country multiproduct Mangalore - Hassan - Bangalore pipeline. The project has achieved 84.58% progress as on 15th July, 2001. This pipeline project, which is expected to be operational by mid 2002, would enable reaching of MRPL's products to wider markets in the hinterland and will play a vital role in evacuating MRPL's products particularly in view of surplus product position prevailing in the industry.

The Petroleum Sector is slated to be totally deregulated from 1st April, 2002 at which time MRPL would be allowed to market all petroleum products directly. However, the scenario of total deregulation would pose challenge to the entire industry. MRPL has already started direct marketing of non-formula products from October 2000. MRPL has also started export of petroleum products from October 2000 and has exported products such as MS, ATF and FO amounting to Rs.369 crores during the year.

One of the major factors adversely affecting the performance of your Company is abnormally high debt burden. In order to improve the overall financial health, MRPL has appointed M/s. Lazard India Ltd. for financial restructuring of the Company. This financial restructuring exercise being done by Lazard India Ltd. is expected to be completed in the next couple of months and would endeavour to improve the debt equity ratio of MRPL in line with the requirements of present competitive environment.

A. V. Birla Group (AVB), one of the Joint Venture Partner/Promoter of MRPL has desired to exit from MRPL in an appropriate manner and in terms of the MOU entered into between Government of India (GOI), Hindustan Petroleum Corporation Ltd. (HPCL) and Indian Rayon & Industries Ltd. and Associates (AVB), HPCL and AVB have appointed Joint Valuers for valuation of AVB's stake in MRPL. The Valuation work is in progress.

MRPL is closely monitoring the likely developments that may arise after total deregulation of the petroleum sector and has initiated various steps so as to improve MRPL's financial health and shareholders value.

H. L. ZUTSHI
CHAIRMAN



13th Annual Report

NOTICE

Notice is hereby given that the Thirteenth 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 KATIPALLA, MANGALORE – 574 149 on 29th September, 2001 at 4.00 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 of the Company as at 31st March, 2001 together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri B. N. Puranmalka who retires from office by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri D. S. Mathur who retires from office by rotation and being eligible offers himself for re-appointment.
4. 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

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

"RESOLVED that pursuant 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 Ravi Kastia as Managing Director (F&A) for a period of 5 years w.e.f. 11th September, 2000 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 Katipalla,
Mangalore 574 149.
Mumbai, 13th July, 2001

By Order of the Board

LAUT KUMAR GUPTA

Company Secretary and
General Manager (Finance)

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 FORM 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 Section 173(2) of the Companies Act, 1956 in respect of Item No. 4 and 5 of the notice set out above is annexed hereto.
3. Members are requested to notify the change in address, if any, immediately to the Registrars, MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C., Andheri (East), Mumbai - 400 093 quoting their Folio Numbers.
4. Members holding more than one Share Certificate in the same name under the different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant Share Certificates to the Registrar.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 20th August, 2001 to 11th September, 2001 (both days inclusive).
6. The Company has entered into Agreements with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for custody and Dematerialisation of securities. Members can avail the depository facilities by approaching any of the Depository Participants of NSDL or CDSL.
7. The Companies (Amendment) Act, 1999 extended nomination facility to individuals holding shares/ Debentures in Companies. Share/Debenture holders, in particular whose holding is in single name, are requested to avail of the above facility by furnishing to the Company the particulars of their nomination. Share/ Debenture holders may please write to the Company/ Registrars for obtaining the prescribed Nomination Form.
8. The Company has listed its shares at Mumbai, Delhi, Calcutta, Chennai, Bangalore, Mangalore and Ahmedabad Stock Exchange. Upto date listing fee of these exchanges have been paid.

Mangalore Refinery and Petrochemicals Limited

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956**

ITEM NO. 4

Although not strictly necessary, the explanatory statement is being given in respect of Item No. 4 of the Notice as the Resolution is proposed as a Special Resolution. Section 224A of the Companies Act, 1956 provides 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 Share Capital of the Company and, hence, a Special Resolution is required for appointment of Auditors Messers Lodha & Co., Chartered Accountants, Mumbai, and Messers Sharp & Tannan, Chartered Accountants, Mumbai, as the Auditors of the Company.

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

ITEM NO. 5

In terms of Article 158 read with Articles 129 and 134 of the Articles of Association of the Company and Sections 198, 269 and 309 of the Companies Act, 1956, the Board of Directors has appointed Shri Ravi Kastia, nominee of Indian Rayon & Industries Limited (IRIL), as Managing Director (F&A) for a period of 5 years w.e.f. 11th September, 2000 in place of Shri Jagdeesh M. Mehta whose nomination was withdrawn by IRIL. Shri Ravi Kastia is an MBA, Fellow Member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He also holds Diploma in Labour Laws and Personnel Management. His wide and varied experience extending to a period of nearly 25 years can advantageously be availed of by the Company to its benefit. The terms and conditions of appointment of Shri Ravi Kastia are as under:

1. **Period :**
Period of appointment is for five years with effect from 11.9.2000.
2. **Salary :**
Rs. 40,000/- (Basic) per month. In addition he is entitled to other allowances/reimbursement which are presently Rs. 12,870/- per month as per rules of the Company.
3. In addition to salary, the following perquisites will be provided as per the relevant applicable Rules of MRPL.
 - a. **Housing :** Rent free furnished accommodation alongwith benefits of gas, fuel, water, electricity,

telephone and fax, as also upkeep and maintenance of Company's furnished accommodation.

- b. **Medical Reimbursement :** Reimbursement of Medical expenses and Mediclaim policy for self and family as per rules of the Company.
- c. **Leave Travel Allowance :** Leave travel allowance will be paid by the Company for self and his family once in a year subject to a ceiling of one and a half month salary for a year.
- d. **Personal Accident Insurance :** Personal accident insurance cover for him. The Premium payable shall not exceed Rs. 4,000/- p.a.
- e. **Club Fees :** Reimbursement of Club fees subject to a maximum two clubs.

Apart from the above, other entitlements are as follows :

- i) Contribution to Provident Fund, Superannuation Fund/ Annuity Fund in accordance with the Rules of the Company.
- ii) Gratuity at a rate not exceeding half month's salary for each completed year of service.
- iii) One car with the services of a Driver, to be maintained by the Company for official use.
- iv) Reimbursement of entertainment, travelling and other expenses incurred for the business of the Company.
- v) Leaves as per the Rules of the Company.

So long as Shri Ravi Kastia functions as the Managing Director (F&A) of the Company, he shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.

Where in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay to Shri Ravi Kastia minimum remuneration by way of salary and perquisites not exceeding the limits specified above.

The Company stands to gain considerably by the appointment of Shri Ravi Kastia as Managing Director (F&A) of the Company in view of his wide and varied experience and expertise and in the circumstances the Directors recommend the resolution set out in this Item No. 5 of the accompanying notice for your approval.

Shri Ravi Kastia is deemed to be interested in this resolution as it relates to his appointment.

Registered Office :
Mudapadav, Kuthethoor P. O.
Via Katipalla,
Mangalore 574 149.
Mumbai, 13th July, 2001

By Order of the Board
LALIT KUMAR GUPTA
Company Secretary and
General Manager (Finance)



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The Members,

SUB : ABSTRACT OF THE TERMS OF INCREASE IN REMUNERATION PAYABLE TO THE EX-MANAGING DIRECTORS (TECHNICAL) AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.

The Company had appointed Shri S. K. Mukherjee, a nominee of HPCL as Managing Director (Technical) w.e.f. 04.07.1997. He worked as MD(Tech.) of MRPL upto 03.03.1999. Subsequently HPCL had nominated Shri M.A. Tankiwala, as Managing Director (Technical) w.e.f. 12th March, 1999 in place of Shri S.K. Mukherjee. Shri Tankiwala worked as MD(Tech.) of MRPL upto 12.6.2000. The terms and conditions of appointment of Shri S.K. Mukherjee and Shri M.A. Tankiwala were approved by the Shareholders at the Annual General Meetings of the Company held on 29.11.1997 and 23.9.1999 respectively with necessary delegation to the Board of Directors to revise the terms as to remuneration, from time to time, within the limits provided for in Schedule XIII of the Companies Act, 1956.

Consequent to the revision in the pay scale of HPCL, it has been informed that Salary and allowances of officers of HPCL have been revised effective from 1.1.1997. Accordingly HPCL has now informed the revised pay scale of Shri S.K. Mukherjee and Shri M.A. Tankiwala as under:-

Shri S.K. Mukherjee :

Existing	Revised
Salary Grade : Rs.11,500 – 13,500 per month (subject to revision). Rs.28,000/- per month (including Dearness and other Allowances)	<u>Revised scale of pay</u> : Rs.23,750 – 28,550 <u>Revised Salary</u> : Rs.41,400/- p.m. (inclusive of Dearness and other Allowances)

Shri M.A. Tankiwala :

Existing	Revised
Salary Scale : Rs.11,500 – 13,500 (subject to revision) Rs.24,542/- per month (including D.A. and other Allowances)	<u>Revised scale of pay</u> : Rs.23,750 – 28,550 <u>Revised Salary</u> : Rs.36,500/- p.m. (inclusive of Dearness and other Allowances)

The Board of MRPL has approved the above increase in Remuneration on 23rd August, 2001.

The above increase is well within the limits provided in the Schedule XIII of the Companies Act, 1956 and will be payable with respect to their tenure as MDs of MRPL.

None of the Directors of the Company are, in any way, concerned or interested in the above.

For **Mangalore Refinery and Petrochemicals Ltd.**

Place : Mumbai
Date : 24th August, 2001.

LALIT KUMAR GUPTA
Company Secretary and
General Manager (Finance)