



17th Annual Report 2004-2005

Report  junction.com

Mangalore Refinery and Petrochemicals Ltd.

(A Subsidiary of Oil And Natural Gas Corporation Limited)



- 1st in Capacity Utilisation
- 1st in Energy Management
- 1st Dividend Proposed



17th Annual Report

BOARD OF DIRECTORS

Shri Subir Raha	Chairman
Shri R. S. Sharma	
Dr. A. K. Balyan	
Shri N. K. Mitra	
Shri Sunjoy Joshi	(From 21 st July, 2005)
Shri V. P. Joy	(From 21 st July, 2005)
Shri A. Balakrishnan	
Shri C. N. Rao	
Shri M.P.Modi	Nominee of ICICI Bank Ltd.
Shri G. M. Ramamurthy	Nominee of IDBI Bank Ltd.
Shri Girish Dave	

SENIOR EXECUTIVES

Dr. C. M. Lamba, Sr. President
Shri J. M. Gugnani, President (Consumer Marketing)
Shri P. K. Atreya, President (Operations)
Shri S. C. Tandon, Associate President (Refinery)
Shri R. K. Madan, Associate President (Business Development)

VICE PRESIDENT (FINANCE) AND COMPANY SECRETARY

Shri L. K. Gupta

REGISTERED OFFICE AND REFINERY SITE

Mudapadav, Kuthethoor P.O. Via Katipalla,
Mangalore - 575 030, Karnataka
Tel : 0824 - 2270400

INVESTOR RELATIONS CELL

Maker Tower, 'F' wing, 16th Floor,
Cuffe Parade, Mumbai - 400 005.
E-mail : mrplbom@bom.mrplindia.com
Tel : 022-2217 3000
Fax : 022-2217 3233

AUDITORS

M/s. Varma & Varma , Chartered Accountants

SOLICITORS

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

BANKERS

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

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.: 022-2821 5235
E-mail: mcsmum@bom2.vsnl.net.in

Contents	Page No.
Directors' Report	2
Comments & Review by C&AG	7
Management Discussion and Analysis Report	10
Report on Corporate Governance	11
Auditors' Report	15
Balance Sheet	17
Profit & Loss Account	18
Schedules	19
Cash Flow Statement	28
Balance Sheet Abstract and Company's General Business Profile	29
Notice for Annual General Meeting	30



17th Annual Report

DIRECTORS' REPORT FOR THE YEAR 2004 - 2005

Dear Members,

- Your Directors are privileged to present the 17th Annual Report of your Company, together with the Audited Accounts for the Financial year ended 31st March, 2005.

You will be pleased to know that operational – as well as financial performance of your Company reached new heights of excellence during the year in review :

- Highest-ever capacity utilization of 122% - best among all refineries in India,
- Lowest-ever fuel & loss of 6.53% - best among all refineries of similar complexity in India,
- First refinery in India to produce MS(Petrol) and HSD(Diesel) to Euro III specifications,
- Lowest-energy consumption among all refineries with similar complexity in India – recognized by the Centre for High Technology, Ministry of Petroleum & Natural Gas, Government of India,
- Efficient turn-around of all primary and secondary units of 3.69 million metric ton (MMT) p.a. (Phase I) train in record time of 19 days,
- Highest-ever turnover of Rs. 206,925 million – highest-ever export realization of Rs. 61,913 million,
- Lowest-ever interest & finance cost of Rs. 2,296 million – debt-equity ratio improved to almost 1:1,
- Highest-ever net profit of Rs.8,797 million – accumulated losses of Rs. 11,845 million (when ONGC took over MRPL) wiped out,
- Maiden dividend of 10% proposed, and
- Recognition for outstanding achievement in safety management.

1.1 FINANCIAL PERFORMANCE

(Rs in million)

	Year ended 31 st March, 2005	Year ended 31 st March, 2004
Turnover	206,925.50	126,122.24
Profit before Depreciation		
Interest and Tax	20,991.63	13,572.23
Interest and Finance Charges	2,296.19	3,734.17
Gross Profit after interest but before Depreciation and Tax	18,695.44	9,838.06
Depreciation and Amortisations	4,086.70	4,093.02
Provision for wealth Tax	0.42	0.24
Current Tax	714.50	–
Previous Year's Tax adjustment	(28.50)	–
Deferred Tax	5,124.74	1,150.65
Profit after Tax	8,797.58	4,594.15
Balance of Loss brought forward from previous year	6,271.35	11,845.05
Surplus available for appropriation	2,526.23	(7,250.90)
Appropriations:		
Proposed dividend on Preference Shares	0.01	–
Proposed Dividend on Equity Shares	1,752.61	–
Tax on Dividend	245.81	–
Transfer from Debenture Redemption Reserve	–	979.55
Balance of Profit/(Loss) carried to Balance Sheet	527.80	(6,271.35)
Total	2,526.23	(7,250.90)

1.2 DIVIDEND

In view of the sustained improvement in the performance of your Company, the Directors have recommended maiden dividend of Re. 1/- per share (10%) on the equity share capital and 0.01 per cent on the 0.01% preference share capital for the year ended March 31, 2005. The total dividend will absorb Rs. 1,752.62 million excluding Rs. 245.81 million as corporate tax on dividend.

1.3 OPERATIONAL PERFORMANCE

During the year 2004 - 05, the refinery has processed a record throughput of 11.848 MMT crude oil achieving 122% capacity utilization (up 17.94% from 10.046 MMT), produced 11.075 MMT of finished products (up 18.42% from 9.352 MMT) and despatched 11.059 MMT of finished products (up 19.65% from 9.243 MMT). The Company also completed a successful turnaround of all the Primary and Secondary units of Phase I (3.69 MMT p.a. unit) in a record period of just 19 days, taken up after more than four years of operation.

2 AWARDS AND RECOGNITIONS

- Your Company has been conferred with Jawaharlal Nehru Centenary Award for Lowest Energy consumption amongst PSU Refineries during the Year 2003-04. The awards are based on the annual performance of the refineries in the area of energy consumption, measured in terms of Specific Energy Consumption (MBTU/BBL/ NRGF).
- Your Company has also been awarded Gold Award by Greentech Foundation for outstanding achievement in Safety Management for the Year 2004-05. Your Company has already been accredited with the 5-Star Safety Rating by the British Safety Council.
- Your Company has also been awarded Gold Award by the Department of Industries and Commerce, Government of Karnataka for registering highest revenue earnings through export during 2003-04.

3. FINANCIAL PERFORMANCE

Your Company has achieved a remarkable financial performance, earning a net profit of Rs. 8,797.58 million (up 91.50% from Rs. 4,594.15 million). The entire accumulated losses of Rs. 11,845.05 million as on 31st March, 2003, when ONGC acquired Management Control of MRPL, have been wiped out in just two years. The commendable improvement in the working results of the company has been possible due to sustained availability of improved crude mix, higher capacity utilization, reduction in interest costs, reduction in fuel & loss and healthy refining Margins prevailing in International Markets throughout the year.

4. PREPAYMENT OF LOANS

The parent company, ONGC, had sanctioned a long-term unsecured loan of Rs. 26,000 million at Bank rate (presently 6% p.a.) during January 2004 to enable your Company to prepay its rupee loans amounting to Rs. 26,370 million carrying average interest @9.15% p.a. under DRP; this resulted in savings of about Rs. 820 million p.a. Your company has already prepaid Rs. 9,000 million out of Rs. 24,000 million loan actually availed from ONGC.

5. ENVIRONMENT-FRIENDLY FUELS.

MRPL is the first refinery in India to produce Euro-III High Speed Diesel (HSD) and Euro III Motor Spirit (Petrol). The first consignment of Euro-III HSD was despatched on 31st December, 2004, through Mangalore-Hassan-Bangalore Pipeline (MHBPL) for sale in Bangalore. From the existing specifications of 2,500 parts per million (ppm) by weight of

Mangalore Refinery and Petrochemicals Limited

sulphur in HSD, the sulphur level has been brought down to 350 ppm by weight in Euro-III, and 500 ppm by weight in BS-II Diesel. The first consignment of Euro III petrol with RON of 91 and Sulphur of 150 parts per million (ppm) by weight was despatched on 13th February, 2005.

6. IMPROVED CREDIT PROFILE

6.1 MRPL has been ranked as the 12th Most Valuable Public Sector Company by Business Today, based on the financial results of 2003-04.

6.2 At the time of take-over of MRPL by ONGC, the debt-equity ratio was reduced to 3.45:1 under the DRP; this has now improved to a healthy 1.04:1 as on 31st March, 2005.

6.3 Based on the improved credit profile, your company has been able to successfully raise unsecured Short Term Working Capital facilities of US\$ 540 million at very competitive LIBOR related interest rates during the year.

7. TRANSACTION COSTS

7.1 Based on the MOU with the parent company ONGC, your Company purchased 3.7 MMT Mumbai High Crude during the year on pricing formula applicable to other PSU Refineries. The pricing formula is advantageous as compared to the landed cost of imported crude of equivalent quality.

7.2 Your Company has finalised a Contract of Affreightment (COA) for transportation of Iran Mix, Arab Mix or other WAG grades and Nile Blend Crude Oil for a period of 12 months commencing from 1st April, 2005, at a competitive rate through Transchar, Ministry of Shipping, Govt. of India. Your Company has also finalized a COA with Shipping Corporation of India for transporting Mumbai High Crude for 2005-06. These COAs will ensure stable transportation arrangement for sourcing almost 90% of the crude oil requirements of the company at very competitive freight rates.

8. INVESTMENTS

8.1 Capital investments are being made aggressively in several projects for Product Quality Improvement, Value Addition and De-bottlenecking. Your Company has already awarded a contract for ISOM Project for upgradation of facilities for producing petrol upto Euro IV level on turnkey basis to M/s. Larsen & Toubro Ltd. at a cost of Rs. 2,670 million (inclusive of Cenvatable taxes). The project is progressing on schedule. Several projects for Energy Conservation are under implementation. Your Company has retained Engineers India Limited to undertake a detailed feasibility study for upgradation of Refinery facilities including enhancement in Refining capacity upto 15 MMTPA. Actions have been initiated for major investments in FCCU, Aromatic complex and Olefin Complex based on intermediate & feedstocks from your Refinery and other ONGC Group companies. The mega-project for LNG-based petrochemicals and power plants in Mangalore SEZ is under approval of the Government.

9. EXPORTS

Your Company exported products (Motor Spirit, Naphtha, Reformate, HSD, ATF, FO, LSHS) worth Rs. 61,913 million during the year (up 38% from Rs. 44,775 million).

10. MARKETING

10.1 Your company is managing the first retail outlet of the parent company ONGC, inaugurated on March 19, 2005, under the OVAL brand, at Mangalore. OVAL brings a series of unique facilities and benefits to the consumer. Given the enthusiastic customer response, expansion of this outlet has already been taken up. Initiatives in direct marketing are yielding breakthrough results. Direct sales increased almost 72%, - Rs. 4,602 million against Rs. 2,689 million in the previous year. Your company has also acquired on concessionaire basis 18 "wayside facilities" from the Karnataka State Tourism

Development Corporation for the development of Retail Outlets and allied services & facilities.

11. UTILIZATION OF SECURITIES PREMIUM ACCOUNT

At the 16th Annual General Meeting held on 27th September, 2004, the Members of the company had approved utilization of Rs. 3,490.53 million standing to the credit of the Securities Premium Account for setting off a part of the Accumulated Losses amounting to Rs. 6,271.35 million as on 31st March, 2004, subject to the confirmation of the Central Government (The Govt.). The Company had thereafter applied to the Govt. for obtaining necessary approval. The Government accorded its approval on 9th June, 2005 permitting the Company to reduce its share capital and utilize the Balance in the Securities Premium Account for setting off a part of the accumulated losses of the Company as on 31st March, 2004. Pursuant to the provisions of Section 103 of the Companies Act, 1956, the reduction in the capital is to become effective only from the date of filing of the Order of the Govt. and the minutes with the ROC. As the Company has earned a net profit of Rs. 8,797.58 million during the year 2004-05 and the entire accumulated losses of Rs. 6,271.35 million as on 31st March, 2004, stands wiped out as on 31st March, 2005, the Company has not acted on the order passed by the Govt. and accordingly no adjustment has been done in accounts for the year 2004-05.

12. DIRECTORS

12.1 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company Shri Subir Raha, Dr. A. K. Balyan and Shri N. K. Mitra retire by rotation at the 17th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

12.2 Government of India (Govt.) has since categorized your company as a Schedule 'B' PSU Company on 6th January, 2005. The Board of MRPL is also being reconstituted by inducting two Govt. Directors and appointments of Managing Director and Director (Finance). Shri Sunjoy Joshi, Joint Secretary (Exploration) and Shri V. P. Joy, Director, in the Ministry of Petroleum & Natural Gas, have been taken as Govt. Directors on the Board of your Company.

12.3 Brief resume of the Directors seeking appointment/re-appointment, together with the nature of their expertise in specific functional areas and names of the companies in which they hold the directorship and the membership/chairmanship of committees of the board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Annexure to the AGM notice.

13. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217 (2AA) of the Companies Act, 1956 your Directors state that :

- The Annual Accounts have been prepared in compliance of the applicable Accounting Standards together with proper explanations relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made reasonable and prudent judgements and estimates, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the Profit & Loss of the Company for that period;
- The Directors took proper and sufficient care for the maintenance of proper and adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts are prepared on a "going concern" basis.



17th Annual Report

14. FIXED DEPOSIT

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

15. AUDITORS

15.1 The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). M/s Varma & Varma were appointed as Statutory Auditors of the Company for the Financial Year 2004 - 05.

15.2 The review and comments of the C&AG at Annexure II forms part of this Report.

16. CORPORATE GOVERNANCE

16.1 The Company has implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements. The Annual Report contains a separate section on the same.

16.2 As required under the said provisions, the Company has obtained the Certificate from the auditors of the Company which is annexed to and forms a part of the Annual Report.

16.3 The Management Discussion and Analysis Report forms part of the Annual Report.

17. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The additional information required to be disclosed pursuant to the section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in the 'Annexure I' forming part of this Report.

18. PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be shown in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

19. INDUSTRIAL RELATIONS

The Company continues to have a cordial and harmonious relationship with its employees. During the year, the Company signed a wage settlement valid for a period of three years effective from 1st April, 2004, with the MRPL Employees Union.

20. COMMUNITY DEVELOPMENT

As a socially responsive organization, your Company is committed to the well being of the communities around the refinery area. Various development activities taken up by the Company includes construction of approach roads, assistance for expansion of the existing school buildings, free artificial limb camps, drinking water supply schemes, scholarships to meritorious students in schools around the area and providing computers to rural schools. The MRPL CBSE school, which gets revenue grant from your Company, provides education at nominal cost to about 950 children including more than 600

children from the villages around the refinery. MRPL Hospital serves the families around the refinery at nominal charges.

21. LISTING OF EQUITY AND PREFERENCE SHARES ON NATIONAL STOCK EXCHANGE OF INDIA LIMITED

The National Stock Exchange of India Ltd. has permitted listing of Equity Shares and listing and admission to dealings of Preference Shares of your Company with effect from 7th January, 2005.

22. DELISTING OF SHARES

The Company has received approvals for delisting of its securities from the Calcutta Stock Exchange and accordingly the Company's shares have been delisted from the Calcutta Stock Exchange.

23. ACKNOWLEDGEMENT

23.1 Your Directors wish to sincerely thank the Government of India (GoI), Ministry of Petroleum and Natural Gas (MOP&NG), Ministry of Finance (MOF), and other Ministries and Departments of Central Government and the Government of Karnataka for their valuable support and co-operation.

23.2 Your Directors recognise the continuing co-operation from the New Mangalore Port Trust, and the Members of the Oil Industry.

23.3 Your Directors appreciate the support received from the Financial Institutions and Banks. Your Directors recognise the support received from all other stakeholders viz. suppliers of crude oil and other inputs, vendors, contractors, transporters and others.

23.4 Your Directors acknowledge the unstinted support provided by the parent company, ONGC Ltd.

23.5 Your Directors thank the Shareholders for the confidence reposed by them in the Company.

23.6 Your Directors wish to place on record their sincere appreciation for the sustained and dedicated efforts put in by all the employees.

23.7 Finally, the customers. Your Directors recognise the patronage extended by the ever-increasing community of valued customers, and assure them the best possible satisfaction at all times.

For and on behalf of the Board

(Subir Raha)
Chairman

Place : New Delhi

Date : 17th August, 2005

Mangalore Refinery and Petrochemicals Limited

ANNEXURE I TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2005.

A. CONSERVATION OF ENERGY

The Company continued its emphasis in energy conservation through optimisation of operation, continuous monitoring and implementation of several energy conservation schemes.

a) Major energy conservation and resource optimisation measures taken during the year.

- Advanced Process Control in Crude Distillation Unit-1 for yield and energy consumption improvement.
- System for receiving hot feed to Gas Oil Hydrodesulfurisation unit and thereby utilizing the heat to generate steam.
- Rainwater harvesting scheme implemented to minimize fresh water draw from river and thereby resulting in net saving in pumping costs.
- Excess low pressure separator off-gas from Hydrocracker unit routed to Hydrogen plant feed.
- Reduction in steam to ejectors by optimising Vacuum column operation.

b) Additional investments and proposals, if any, being implemented/ under consideration for reduction of consumption of energy/ resources.

- Advanced Process control system implementation in Crude Distillation Unit-2 and Hydrocracker units.
- Recycling of stripped sour water as wash water in Hydrocracker units to minimize fresh DM water consumption in the units.
- Variable Speed Drives for selected MV & LV application.
- Use of Hydrogen-rich HCU Reactor off-gases and CCR Net gas for GOHDS make-up.

c) The measures (a) and (b) above would result in reduction in fuel consumption of 25,000 MT per annum which is equivalent to a saving of around Rs. 260 million per annum.

d) Fuel and Loss in the Refinery for the year 2004-05 was 6.53% wt on crude as compared to 6.89% wt in 2003-04. Also, specific energy consumption was 64.77 MTBU/BBL/ NRGF for the year 2004 - 05, the best achieved so far in any refinery in India, as compared to 69.04 MTBU/BBL/ NRGF in 2003 - 04.

e) Energy Conservation Award.

MRPL received first prize under Group-1 for the year 2003-04 (announced during 2004-05) in the prestigious 'Jawaharlal Nehru Centenary awards for Energy conservation in refineries', instituted by Ministry of Petroleum & Natural Gas (MOP&NG). The award is based on the annual performance of the refinery in the area of energy consumption measured in terms of Specific Energy Consumption (MBTU/ BBL/ NRGF).

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

Year	Crude throughput MMTA	NRG factor (CHT method)	MBN (Mbtu/Bbl/ NRGF)	F&L, % wt
2002-03	7.25	5.04	77.60	7.68
2003-04	10.07	5.05	69.00	6.89
2004-05	11.35	4.92	64.77	6.53

f) Total Energy Consumption and Energy Consumption per unit of production.

	2004-05	2003-04
a) Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Unit (million KWH)	3.71	3.28
Total Amount (Rs.million)	26.92	28.44
Rate / Unit (Rs. / KWH)*	7.27	8.67
* Expenditure towards electricity tax for own generation not included		
* Include demand charges of Rs. 10.216 million (Rs. 13.98 million for 2003-04).		
The unit cost per KWH excluding Demand charges is Rs. 4.51 for 2004-05 (Rs. 4.41 for 2003-04).		
b. Own Generation		
i. Through Diesel Generator (at Sarpady)		
Unit (million KWH)	1.62	1.79
Unit per ltr. of Diesel (KWH / ltr.)	3.38	3.37
Cost / Unit (Rs. / KWH)	6.37	6.21
ii. Through Steam turbine/generator		
Unit (million KWH)	585.7	543.8
Unit per ltr. of Fuel Oil (KWH / ltr.)	2.20	2.20
Cost / Unit (Rs. / KWH)**	4.42	3.80
** Cost/unit includes Steam cost used in refinery operation.		
2. Fuel Oil		
Quantity (M.T.) (Oil + Gas)	701616	621662
Total Amount (Rs.in million)	6135.79	5433.33
Average Rate (Rs./M.T.)	8745.23	8740.02
3 Others / Internal Generation		
Diesel (at Sarapady)		
Quantity (K.ltr.)	478.07	536.00
Total Cost (Rs.in million)	9.99	10.23
Rate (Rs. / K.ltr.)	20904.2	19094
4 Consumption per unit production		
Total Crude Processed (TPA)	11848115	10045554
Total Fuel Oil Consumed (TPA)***	773485	693829
Total Electricity (KWH) (after deducting power to HGIL, BASF)	585698000	543660969
Fuel Oil Consumption / MT of Crude processed	0.0653	0.0691
Electricity Consumption KWH / MT of Crude processed	49.43	54.12
*** includes fuel and loss		



17th Annual Report

B. TECHNOLOGY ABSORPTION

Research & Development:

1. Specific areas in which Research & Development (R&D) has been carried out by the company.

- Crude assay for various crudes for refinery & ONGC,
- Evaluation of Lubricity of Low sulfur Diesel streams and Lubricity improver additives,
- Evaluation of Pour point depressant for Diesel,
- Exploring possibility of producing high value products like Mixed Xylene,
- Feasibility of producing Euro-III grade Gasoline from available Reformate using outsourced FCC gasoline,
- Spent caustic treatment with Chlorine Dioxide,
- Lubricity characteristics of Aviation Turbine Fuel produced from various units,
- Study of Hazira heavy Cut Residue (Diesel cut) and evaluation of suitable additives to improve Oxidation stability and viscosity,
- Analysis of samples from ONGC-Hazira for exploring ATF production.

2. Benefits derived as a result of the above Research & Development:

- Crude assay provide an early indication of product yield pattern and helps to optimize unit-operating conditions to achieve the desired yield pattern,
- ONGC crude assay carried out for feasibility study and design of fractionating unit,
- Evaluation of Lubricity improvers from various suppliers has helped in selecting proper lubricity additives for contingency purpose,
- Evaluation of Pour point additives has helped in proper selection and actual utilization of same,
- Refinery successfully produced Euro-III grade Gasoline based on experiments carried out with various blends of Reformate, naphtha and FCC gasoline sourced from another Refinery,
- Minimize odour emanation by proper treatment of spent caustic.

3. Future Plan of action:

- Plant-scale experiments on spent caustic treatment with chlorine dioxide to treat phenols,
- Study on ONGC-Hazira HCR samples,
- Study on producing Gasoline using ONGC Hazira naphtha and MRPL reformate,
- Feasibility of producing US Military grade ATF-JP5.

4. Expenditure on R & D:

- Capital : Rs. 27 Lakh for NMR spectrometer (JP5 testing)
Rs. 20 Lakh estimated for 2005-06
- Recurring : Rs. 17 Lakh
- Total R&D expenditure : Rs. 64 Lakh
- Total R&D expenditure as a percentage of total turnover : Negligible

5. Technology Absorption, Adoption & Innovation:

- Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - Technologies for Process Units of Phase-I & II have been fully absorbed.
 - Adaptation and innovation: Changes have been made in the process parameters and energy recovery, as a part of successful adaptation, particularly in Hydrocracker units, CCR and GOHDS units.
- Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

Refinery throughput has increased by 17%, Energy consumption as Fuel & Loss has improved by 5%, various grades of products including Euro III qualities of MS & HSD are produced and sold in domestic market or exported.

- In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished:

a) Technology imported

Isomerisation process

Variable speed drives

b) Year of Import

2004-05

c) Has technology been fully absorbed?

These units are under installation and hence technology absorption is in progress.

d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

These units are under installation and hence technology absorption is in progress.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2004-2005 (Rs. in million)	2003-2004 (Rs. in million)
Foreign Exchange Earnings [includes Exports of Rs. 5,293.16 million (previous year Rs.1,829.92 million) through IOCL].	61,913.21	44,774.51
Foreign Exchange Outgo (excluding imports of crude oil through IOCL).	1,04,148.46	35,479.44

Mangalore Refinery and Petrochemicals Limited

ANNEXURE II TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MANGALORE REFINERY AND PETROCHEMICALS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2005.

Mumbai
18th July, 2005

REVATHY IYER
Principal Director of Commercial Audit &
ex-officio Member, Audit Board - II, Mumbai

REVIEW OF ACCOUNTS OF MANGALORE REFINERY AND PETROCHEMICALS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note : Review of accounts has been prepared without taking into account comments under Section 619(4) of the Companies Act, 1956 and qualification contained in the Statutory Auditors' Report if any.

1. FINANCIAL POSITION :

LIABILITIES	(Rs. in Millions) 2002-2003	(Rs. in Millions) 2003-2004	(Rs. in Millions) 2004-2005
a) Paid up Capital			
i) ONGC	8,971.54	12,553.54	12,553.54
ii) HPCL	2,971.54	2,971.54	2,971.54
iii) Bank / Financial Institutions	3,766.02	139.36	142.54
iv) Others	1,886.90	1,953.56	1,950.39
b) Reserves & Surplus			
i) Free Reserves & Surplus	979.55	0.00	527.80
ii) Share Premium Account	3,490.53	3,490.53	3,490.53
iii) General Reserve	0.00	0.00	0.00
c) Borrowings from			
i) ONGC	3,150.00	24,000.00	15,000.00
ii) HPCL	1,724.63	0.00	0.00
iii) From Financial Institutions	15,208.40	725.30	725.30
iv) From Banks	8,749.65	753.03	753.03
v) Foreign Currency Loans	16,156.31	20,985.16	15,943.92
vi) Cash Credit/Working Capital Demand Loan	3,216.51	1,500.00	1,363.64
vii) Debentures	979.55	0.00	0.00
viii) CST Deferment Loan	4,369.63	479.44	879.44
ix) Lease Finance	397.18	0.00	0.00
x) Interest accrued & due	0.00	0.00	0.00
d) i) Current Liabilities and Provisions	11,734.59	16,339.88	26,417.56
ii) Provision for gratuity	18.24	24.15	43.22
Total	87,770.76	85,915.49	82,762.44
ASSETS			
e) Gross Block	67,513.89	67,219.52	67,401.91
f) Less : Cumulative Depreciation	15,833.68	19,583.39	23,353.45
g) Net Block (e - f)	51,680.22	47,636.13	44,048.46
h) Capital work in progress	8.61	31.95	779.77
i) Investments	0.00	0.00	0.00
j) Current Assets, Loans and Advances	16,260.11	25,460.99	36,849.15
k) Deferred Tax Assets	7,055.18	5,904.53	779.79
l) Miscellaneous Expenditure not written off	921.58	610.54	305.27
m) Accumulated Losses	11,845.05	6,271.35	0.00
Total	87,770.76	85,915.49	82,762.44
n) Working Capital [j - d (i)]	4,525.53	9,121.11	10,431.59
o) Capital Employed (g + n)	56,205.74	56,757.24	54,480.05
p) Net Worth (a+b (i) + b(ii)+b(iii) - l - m)	9,299.45	14,226.63	21,331.06
q) Net worth per Rupee of paid-up Capital (in Rs.)	0.53	0.81	1.21



17th Annual Report

2. RATIO ANALYSIS :

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under :

	2002-2003	2003-2004	2004-2005
A. LIQUIDITY RATIO :			
Current Ratio $\{(i) / (d(i) + c(x))\}$	1.39	1.56	1.39
(Current Assets to Current Liabilities & Provisions and interest accrued & due but excluding provision for Gratuity)			
B. DEBT EQUITY RATIO :			
Long term debt to equity $\{c(i) \text{ to } (vii) \& (x) \text{ but excluding short term loan } (p)\}$	3.80	2.36	1.06
C. PROFITABILITY RATIOS : (%)			
a) Profit before tax to			
i) Capital employed	(11.61)	10.12	26.81
ii) Net Worth	(70.19)	40.38	68.49
iii) Sales	(8.10)	5.04	7.89
b) Profit after tax to equity	(44.28)	32.29	41.24
c) Earning per share (in rupees)	(5.15)	2.62	5.02

3. SOURCES AND UTILISATION OF FUNDS : FY 2004-05

	(Rs. in Millions)	(Rs. in Millions)
SOURCES OF FUNDS		
1) Funds from operations		
Profit after tax		8,797.58
Depreciation (including prior period adjustments)		3,781.43
Add : Transfer from Debenture Redemption Reserve		
Less : Profit on sale of fixed assets	-7.56	
Tax on dividend	245.81	(238.25)
ii) Decrease in Deferred Tax Asset		5,124.75
iii) Decrease in Miscellaneous Expenditure		305.27
iv) Sale of fixed assets		5.41
v) Increase in share Capital (pending allotment)		0.01
vi) Increase in Reserves		0.00
		<u>17,776.20</u>
APPLICATION OF FUNDS		
i) Increase in investments		0.00
ii) Increase in Working Capital		1,291.42
iii) Increase in Fixed assets		206.73
Add : Increase in capital work in progress		747.82
iv) Dividend Payable		1,752.61
v) Decrease in Borrowings		13,777.62
		<u>17,776.20</u>