

MRPL



**Growth,
Inspired.**

21st Annual Report 2008-2009 (Abridged)



Mangalore Refinery and Petrochemicals Ltd
(a subsidiary of Oil and Natural Gas Corporation Ltd)



Mangalore Refinery and Petrochemicals Limited

21st Annual Report (Abridged)

BOARD OF DIRECTORS

Shri R. S. Sharma	Chairman
Shri U. K. Basu	Managing Director (From 01/09/2008)
Shri R. Rajamani	Managing Director (Upto 31/08/2008)
Shri L. K. Gupta	Director (Finance)
Dr. A.K. Balyan	Director
Shri Sudhir Vasudeva	Director (From 26/02/2009)
Shri N. K. Mitra	Director (Upto 31/01/2009)
Shri V.K. Dewangan	Government Director
Shri Vivek Kumar	Government Director
Shri S. Roy Choudhury	Director
Shri G. M. Ramamurthy	Independent Director
Shri V. P. Singh	Independent Director (Upto 25/06/2009)

COMPANY SECRETARY

Shri B. Sukumar

AUDITORS

M/s. S.R.R.K Sharma Associates,
Chartered Accountants

REGISTERED OFFICE AND REFINERY SITE

Mudapadav, Kuthethoor, P.O. Via Katipalla,
Mangalore - 575 030, Karnataka
Tel. No.: 0824-2270400
Website: www.mrpl.co.in

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.

INVESTOR RELATIONS CELL

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

REGISTRAR AND TRANSFER AGENTS

M/s MCS Limited,
Office No. 21 & 22, Ground floor,
Kashiram Jamnadas Buiding,
5, P. D' Mello Road, Ghadiyali Godi
Masjid Bunder (East), Mumbai - 400 009.
Tel. No.: 022 - 23726253 - 56
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E-mail: mcspanvel@yahoo.co.in

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Mangalore Refinery and Petrochemicals Limited

DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2008-09

Dear Members,

Your Directors are pleased to present the 21st Annual Report of the Company, together with the audited accounts for the financial year ended 31st March 2009.

It is a matter of immense satisfaction that the performance of your Company created certain new benchmarks of excellence during the year under review:

- 1) Highest-ever Refinery crude thruput at 12.586 Million Metric Tonne (MMT)
- 2) Highest-ever processing of 2.916 MMT (capacity utilisation of 121%) in Hydrocracker, the major secondary processing unit.
- 3) Highest-ever Turnover at Rs.42,719 Crore.
- 4) Lowest-ever energy index of 59.07 MBN.
- 5) Highest-ever direct marketing sales at Rs.2353 Crore.
- 6) Highest-ever products dispatched through Mangalore – Hassan – Bangalore pipeline of 2.46 MMT.
- 7) Financial commitments of about Rs.6000 Crore approximately 50% of the approved Phase III Refinery Project cost.

1.1 FINANCIAL PERFORMANCE

	(Rs. in Crore)	
	Year ended 31st March, 2009	Year ended 31st March, 2008
Turnover	42,719	37,339
Profit before Depreciation, Interest and Tax	2337	2259
Interest and Finance Charges	143	148
Gross Profit after interest but before Depreciation and Tax	2194	2111
Depreciation and Amortisation	382	378
Profit Before Tax	1812	1733
Provision for Taxation	619	461
Profit after Tax	1193	1272
Balance of Profit/(Loss) brought forward from previous year	1640	646
Surplus available for appropriation	2833	1918
Appropriations:		
Proposed dividend on Preference Shares (Rs. 9,186)	0.00	0.00
Proposed Dividend on Equity Shares	210	210
Tax on Dividend	36	36
Transfer to General reserve	30	32
Balance carried to Balance Sheet	2557	1640
Total	2833	1918

- 1.1.1 Your Company has achieved a turnover of Rs.42,719 Crore (up 14% from Rs.37,339 Crore), earning a net profit after tax of Rs.1,193 Crore (down 6% from Rs.1,272 Crore).

1.2 DIVIDEND

Despite slightly lower profit after tax during the year as compared to the previous year, the Board of the Company has decided to recommend maintaining dividend of 12% (at par with Previous Year 12%), balancing the shareholders expectations and huge capex requirements for Phase III Refinery Project. This will absorb Rs. 246 Crore including Rs.36 Crore as tax on dividend.

1.3 OPERATIONAL PERFORMANCE

Your Company focused on improving the domestic offtake and achieved domestic sales of 7.30 MMT (7.00 MMT). The focus was to ensure uninterrupted product supply to the domestic segment where there is better margin.

The financial year 2008-09 was a turbulent year for the refineries world over, in which the crude prices climbed to a level which was never seen before and then suddenly crashed causing terrible upheavals in the world economy. In this background your Company has put up a stellar performance. The Refinery processed a record throughput of 12.586 MMT crude oil (12.547 MMT) achieving 129.89% capacity utilisation (129.48%). It produced 11.78 MMT (11.71 MMT) of finished products.

1.4 EXPORTS

The exports of petroleum products (Motor Spirit, Naphtha, Mixed Xylene, ATF, HSD, VGO and FO) during the year amounted to Rs.11636 Crore (Rs.11141 Crore) which is about 38% (41%) of the total despatches of 11.76 MMT.

Your Company has signed a Term Contract on 7.2.09 with Emirates National Oil Company (Singapore) Pvt. Ltd., (a unit of ENOC, Dubai UAE - A National Oil Company of Emirates of Dubai) for export of HSD (Gas Oil) - 400 TMT, ATF (Jet) - 144 TMT and Fuel Oil - 800 TMT during 2009. As the Members are aware, your Company has a long term contract upto July 2010 with State Trading Corporation, Mauritius for supply of approx. one MMTPA of petroleum products (MS, HSD, ATF & FO) which is the total requirement of Mauritius.

The Company continues to be accredited with Premier Trading House status by Director General of Foreign Trade (DGFT), Government of India based on its export performance.

Figures given in the bracket at para 1.1.1 to 1.4 relate to previous year.

1.5 SAFETY PERFORMANCE

- The Company continues to follow pro-active approach towards safe work practices and conducted periodically, integrated training programmes for Company's employees and the secondary work force. Regular internal and external safety audits are carried out. All process plant modifications are verified through a Hazard and Operability Study (HAZOP) before implementation. The Company promotes a safe work culture at all levels of operations.
- Second External safety audit was conducted by Oil Industry Safety Directorate (OISD) audit team at the refinery during February 2009. OISD have made 129 observation out of which 60 have already been complied and the remaining 69 are in the process of being complied.
- The Refinery completed 637 days (4.32 Million Man-hours) without reportable lost time injury as on 31-03-2009. The challenge before the Refinery is now to cross its own earlier record of 1301 days by improving and sustaining the safety performance. There was no major outbreak of fire / leakage during the year 2008-09.

1.6 ENVIRONMENT MANAGEMENT

- In Environment Management, the company's Philosophy is to perform beyond Compliance - that is to perform better than minimum required by statutes. The refinery



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is certified with ISO 14001: 2004 for Environment Management Systems. The Refinery has received the Green Tech Gold Award in Petroleum sector for outstanding achievement in Environment Management. Refinery case study which was applied for TERI award is selected for publishing in TERI Journal.

The following are some of the major new initiatives taken up by the company in addition to various other environment management measures done on a continuous basis including checking of VOC Emission at 30.000 point in the refinery and taking corrective measures therefor.

- Comprehensive Risk Assessment for the Refinery conducted by M/s. KLG.
- 6 Nos. Gauge pole socks and 11 Nos. Secondary seals have been installed in floating roof tanks for reducing fugitive emissions. The emissions have reduced significantly in the tanks where they are installed.
- Two new sludge pits construction were completed.
- Acoustic enclosure provided for APMC & Sarapady pumping station, DG sets for noise control.
- One number continuous Ambient Air Quality monitoring system has been installed in the refinery to monitor the Ambient Air Quality.

1.7 MARKETING

1.7.1 Direct Marketing

The Direct Marketing Sales during the year were at Rs.2,353 Crore, up by around 10% from Rs.2,137 Crore in the previous year, despite substantial reduction in HSD consumer sales due to heavy under-recoveries. The Company retained its market leader position with respect to sale of Bitumen in its refinery zone. Sales of Crumb Rubber Modified Bitumen (CRMB) increased by 360% with sales volume of 52.30 TMT in 2008-09 as compared to 14.53 TMT in 2007-08.

1.7.2 Retail Marketing

Although the Company has approval from the Government of India to set up 500 retail outlets across the country, it was proceeding cautiously in setting up the retail outlets in view of the heavy under-recoveries in retail marketing of transportation fuels (Petrol and Diesel). As of 31st March, 2009, the Company operated only one Retail Outlet under its HiQ brand and its second retail outlet was commissioned in April, 09.

1.7.3 Joint Ventures in Marketing

1.7.3.1 The joint venture of your Company with Shell B.V. Netherland "Shell MRPL Aviation Fuel Services Private Limited" for marketing of Air Turbine Fuel (ATF) to both Domestic and International airlines at Indian airports, commenced its operation in August 2008 at Bangalore Airport and is progressing satisfactorily. It achieved sales of 35,517 KL of ATF valuing at Rs.104.69 Crore during 2008-09. The sales are likely to grow with commencement of operations at Hyderabad Airport recently. The Company has also secured Contracting Commission (CONCO) Business of Air India, Kingfisher and Deccan Cargo at several international airports like Dubai, Hongkong etc. To enable mobile fuelling at Mangalore, the Company has approached Director General of Civil Aviation (DGCA), Airport Authority of India (AAI) for approval. DGCA has already given approval for mobile fuelling at Mangalore and approval from AAI is awaited.

1.7.3.2 As you are aware, your Company and Ashok Leyland Group had incorporated a joint venture company, "Mangalam Retail

Services Limited" for creating commercial complexes focused on the highway trucking segment, which were also to have Retail outlets of your Company. This JV has not been able to make any progress as your Company has put on hold setting up of Retail Outlets to avoid adverse impact on margins.

2. AWARDS AND RECOGNITIONS

Your Company has received the following awards/ recognitions during the year:

- i) Best Exporter Award (Gold) – 2008 for exporting products through New Mangalore Port Trust (NMPT), by Federation of Karnataka Chamber of Commerce and Industry (FKCCI).
- ii) "Environment Excellence Award" for 2008 by Greentech Foundation, New Delhi.
- iii) Special Encouragement Award from the Forum of Women in Public Sector, a body comprising of women employees working with Public Sector companies and Banks, for its women development efforts during 2008.
- iv) The "Oil & Gas Conservation Award-2008" for Furnace & Boiler Insulation Effectiveness & Efficiency" instituted by Centre for High Technology (CHT).
- v) "Energy Efficiency Unit" award in the National Award for Excellence in Energy Management –2008 under Refinery category instituted by the Confederation of Indian Industry.
- vi) Second prize in Jawaharlal Nehru Centenary Award for energy performance during 2007-08.
- vii) Company Secretarial Department of your Company has been accredited ISO 9001:2008 by M/s. Bureau Veritas Certification (India) Pvt. Ltd. Your Company is the first PSU to get such an accreditation for the Company Secretarial Department.

3. IMPROVED CREDIT PROFILE

- i) ICRA has reaffirmed the Issuer Rating of "IrAAA" (pronounced as IR triple A) to the Company in March '09 indicating the highest-credit quality rating assigned by ICRA.
- ii) ICRA has assigned "LAAA" (pronounced as L Triple A) rating to the Fund Based Working Capital Limits of Rs.900 Crore of your company. This rating is the highest credit quality rating assigned by ICRA. ICRA has also assigned "A1+" (pronounced as A one plus) rating to the Non-Fund Based limits of Rs. 5500 Crore of your company. This rating is the highest-credit-quality rating assigned by ICRA to short term debt instruments.
- iii) Crisil has also reaffirmed in May, 2009 the domestic corporate credit rating of "CCR AAA" (Pronounced as "CCR Triple A") to the Company. This rating indicates highest degree of strength with regard to honouring debt obligations.
- iv) The Company has been ranked 8th in the list of 500 companies (Public and Private Sector) published by Capital Market in November, 2008, based on Turnover for the financial year 2007-08.

4. PROJECTS

4.1 Phase III Refinery Project

- As you are aware, your Company is in the process of implementing Phase III Refinery Project with an objective

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of increasing profitability by increasing the design refining capacity from the existing 9.69 MMTPA to 15 MMTPA, to process more of low price high sulphur / High Acid Heavy Crude Oils, increasing the distillate yield by upgrading low value Black Oils, producing value added products like Propylene and upgradation of its total diesel pool to superior (Euro III / IV) grade. Engineers India Ltd (EIL) is the Project Management Consultant (PMC) for this project.

- Consent for Establishment (CFE) from Karnataka State Pollution Control Board has been received on 08.08.2008. The effective zero date for the project has accordingly been revised as 08.08.2008 with revised mechanical completion date of October 2011.
- The revised project cost as approved by the Boards of Oil and Natural Gas Corporation Limited (ONGC) and your Company after taking into account the revised unit configuration/ unit capacities based on Basic Engineering and Design Package received from Licensors and after taking into consideration the increase in prices of various inputs, is estimated at Rs.12,412 Crore (based on March '08 estimates under conventional mode of execution) against earlier estimate of Rs 7,943 Crore. Majority of the land required for the project has since been acquired and most of the project-affected families have been evacuated and re-settled. Substantial site grading work has been carried out and graded area available to facilitate start of civil works for all the major units ordered.
- Basic Engineering and Design Package has already been received for the four major licensed units i.e. Diesel Hydro Desulphurisation Treating Unit (DHDT), (IFP Axen France), Petrochemical Fluidised Catalytic Cracking Unit (PFCC) (Shaw Stone & Webster, USA), Coker Heavy Gas and Oil Treating Unit (CHT), (UOP-USA) and Delayed Coker Unit (DCU), (CBI Lumnus USA). Front End Engineering Design (FEED) has been completed for all the above 4 units.
- Design basis for all utilities (Nitrogen, Air, Raw Water, Cooling Water, Condensate polishing Unit, DM Water & Caustic), and waste water treatment plant have been completed by the Engineering, Procurement, Construction and Management (EPCM) Consultants viz., Engineers India Ltd (EIL).
- Orders have been placed for two major units viz., PFCC and Sulphur Recovery Units (SRU) on Open Book Execution (OBE) methodology on EIL, Captive Power Plant (CPP) on Lumpsum Turn Key (LSTK) basis to Bharat Heavy Electricals Ltd (BHEL). Hydrogen & DHDT units on LSTK basis to L&T Ltd.
- Besides the above, orders have also been placed for construction of Crude Oil Tanks, supply of Wet Gas Compressor for DCU units. Orders for the remaining major units are also expected to be placed in next couple of months.

4.2 SPM project implementation

The Company is proposing to set up a Single Point Mooring (SPM) facility in the sea nearby to Mangalore Port with an objective to receive crude in VLCC (very large crude carrier) tankers. The same facility can also be used for receipt of crude for Indian Strategic Petroleum Reserves (ISPR) being set up by Government of India at Mangalore very near to our refinery. The

draft DFR has been received from M/s. Consulting Engineering Services (I) Pvt. Ltd. and SBI Capital Markets Ltd., have been engaged to carry out independent financial appraisal of the Project very recently. Implementation of this project is expected to considerably reduce the crude transportation cost and improve the profitability, offer flexibility to receive West African and Venezuelan crudes that can be economically processed, apart from overcoming the capacity limitations in the existing NMPT jetties.

4.3 Polypropylene Project

The Company's Phase-III project includes putting up a 2.2 MMTPA PFCC Unit which will produce approximately 450,000 TPA of Polymer grade propylene which could be converted to Polypropylene, another value added product. Polypropylene is the fastest growing thermoplastic product having wide range of both industrial and consumer applications. A polypropylene plant at the refinery complex will trigger investments in the Mangalore SEZ and in Southern region for downstream usage of polypropylene. With a view to capture the opportunity, your company has taken up setting up of Polypropylene Unit integrated with the Phase III project at an estimated capex of Rs.1803.78 Crore.

4.4 JOINT VENTURES

4.4.1 Aromatics Complex

As reported earlier, a separate Company was incorporated by ONGC and your Company in the name of ONGC-Mangalore Petrochemicals Ltd. (OMPL), for implementing the Aromatics Project, to produce Paraxylene and Benzene, value added products, using Naphtha feed stock from your Company, at Mangalore Special Economic Zone (M-SEZ). The project also envisages sharing of various streams between refinery and the Aromatic complex to improve economies of the project. In view of the delay in availability of unencumbered land and Consent for Establishment from KSPCB (which was received on 16.8.08) the revised project cost is now estimated at Rs.5750 Crore as against the earlier estimated cost of Rs. 4852 crore. M/s. UOP USA, are the Technology Licensors for the project. Basic Engineering and Design Package has been received from UOP and Front End Engineering and Design has been completed by M/s. Toyo Engineering India Ltd (PMC). Site grading activities are also progressing satisfactorily. Tender inviting bids for setting up of the process units on LSTK basis have been recently issued.

4.4.2 Kakinada Refinery and SEZ

Your Company, after considering the various issues and factors affecting the steering of the setting up of a green field oriented refinery project at Kakinada, decided that it would be appropriate not to continue as equity partner in the project and accordingly your Company withdrew from the projects with effect from 23.06.08.

5. Barmer Crude

As earlier informed, the establishment of a 7.5 MMTPA Refinery at the wellhead at Barmer in the State of Rajasthan for evacuation of the Rajasthan Crude as the sole Government nominee would largely depend on the availability of crude oil from Rajasthan blocks at an economically viable price as well as adequate fiscal incentives from the State Government. In the absence of positive response so far from the State Government, your Company had communicated to Government of India, that it would not be possible for it to lift the entire quantity of Rajasthan crude. Accordingly, Government of India has now nominated IOC and HPCL also for lifting the Rajasthan Crude



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and has allocated only 0.2 MMT & 0.4 MMT of Rajasthan crude to the Company in 2009-10 and 2010-11 respectively.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO-AND PARTICULARS OF EMPLOYEES :

The additional information required to be disclosed pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings & outgo is given in 'Annexure - I' which forms part of this Report.

7. PARTICULARS OF EMPLOYEES

The particulars 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 with respect to particulars of employees are furnished in Annexure III. However in terms of proviso (b) (iv) of 219 (1) of the Companies Act, 1956 the above annexures which is not sent with the abridged accounts will be available for inspection by the members at the Registered office of the Company during working hours for a period of 21 days before the date of AGM. Any member who is interested to obtain such particulars may write to Investor Relations Cell of the company at Mumbai.

8. HUMAN RESOURCES

8.1 During the recent strike in January '09 by the members of Oil Sector Officers' Association (OSOA), safe and uninterrupted operations of the refinery were ensured and the management and the Officers Association of your company deserve appreciation for the same.

8.2 The Long Term Settlement (LTS) with the Employees' Union came to an end on 31st March 2007. Negotiations for the fresh LTS are in progress.

8.3 As reported earlier, the pay revision for Board Level and below Board Level executives became due from 1.1.07. Based on approval of the Board for implementation of the pay revision as per the Department of Public Enterprises, Government of India, (DPE) Guidelines, the Ministry of Petroleum and Natural Gas has since issued the Presidential Directive for implementation of the pay revision for your Company's Board Level and below Board Level executives and the same is under implementation.

8.4 The Company continues to enjoy the cordial and harmonious relationship with its collectives.

8.5 The Company recruited 57 employees during the year 2008-09. Out of these, 7 belonged to Scheduled Caste (SC), 3 belonged to Scheduled Tribes (ST), 10 were from Other Backward Class (OBC) and 5 were women.

8.6 The number of employees as on 31st March 2009 was 1253, including 57 women employees. The number of employees belonging to SC, ST and OBC category were 65, 22 and 307 respectively. It is proposed to take up a special recruitment drive during the current year to fill the above back log in SC category.

8.7. During 2008-09, the Company devoted 3314 man-days to training & development and learning which amounts to an average of 2½ man-days for employee. This included functional, developmental and specialized training programmes covering the entire spectrum of employees.

9. OFFICIAL LANGUAGE:

9.1 The Company is implementing Official Language Policy as per

the Annual Programme prescribed by the Department of Official Language, Ministry of Home Affairs, Government of India. In order to propagate Hindi among the employees, Hindi Workshops are being organised on a regular basis at Mangalore, Mumbai & Bengaluru Offices. Regular Hindi classes such as Prabodh, Praveen & Pragya are being conducted for employees. A Hindi seminar on the topic "Vishwa bhasha ke roop mein Hindi ke badate charan" was organized in the month of August '08 for the Town Official Language Implementation Committee (TOLIC) members at Mangalore. In order to increase the correspondence in Hindi, by the employees, special efforts were made to install Hindi software on the computers and nearly 92% computers are installed with Hindi software APS 2000++. To motivate employees who pass final Hindi examinations, Incentive Schemes are introduced such as Cash award & Personal Pay. For promoting the use of Hindi, Hindi Fortnight was celebrated and many Hindi competitions such as Hindi Essay, Dictation, Translation, Songs, Extempore speech etc. were conducted for the employees, their children and family members in the month of September '08. The Company participated at TOLIC level Hindi competitions and won eight prizes and stood II at TOLIC level competition. Our company represented at various national Hindi conferences/seminars which were held at Nilgiri, Hyderabad & Bangalore. Parliamentary Committee on Official Language visited our Mangalore & Mumbai offices in January '09 and March '09 respectively and reviewed the progress of Hindi implementation.

10. VIGILANCE FUNCTION:

10.1 Vigilance department has focused on system improvement and preventive vigilance during this period. Leveraging technology for preventive vigilance viz., E-payment, E-procurement, and technology based solution for personal facilities like canteen as per CVC guidelines were taken up on top priority.

10.2 Vigilance Awareness Week was observed in the first week of November, 2008 to educate employees and to have preventive vigilance awareness in Mangalore and other offices at Bengaluru, New Delhi and Mumbai with a theme "You make the difference".

10.3 Presentations were made on CVC instructions on improving vigilance administration by leveraging technology and whistle blower policy. Various educative lecture programmes were conducted for newly appointed graduate engineer trainees on "Facets and role of Vigilance."

10.4 Vigilance awareness and preventive vigilance activities were continuously carried out during the period by surprise inspections, CTE type detailed examination (Chief Technical Examination), study of major work orders / purchase orders. Deemed single tenders, tenders on nomination basis were selectively taken for scrutiny.

10.5 Transparency initiatives leveraging technology in the Company had been one of the major achievements of Vigilance Department during the year. Vigilance has played a major catalytic role in introducing technology leverages in the Company in core areas during the year.

11. SECURITY MEASURES

The management has decided to hand over the security of the refinery to Central Industrial Security Force (CISF). Regular follow up is being done with CISF headquarters and Ministry of Home Affairs for expediting deployment of CISF manpower to the Refinery.

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Intelligence Bureau (IB) team visited the Company and gave many recommendations which are in various stages of implementation. Security infrastructure is being strengthened by installing additional CCTV cameras at the gates, constructing additional watch towers at various locations, installing turnstile gates, crash-rated barriers, perimeter patrolling track etc., New equipments like X-ray scanner, multi zone metal detectors, explosive vapor detectors, night vision devices, deep search metal detectors, bomb blankets etc. are proposed to be installed.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As a socially responsive organisation the Company is committed to the well being of the communities around the refinery area and with this objective, it has taken up/ implemented a number of schemes/ developmental activities during 2008-09 at a total cost of approx. Rs.3.70 Crore as against Rs.1.51 Crore in previous year. The Company proposes to further enhance the coverage of CSR activities and has earmarked substantial enhanced budget of Rs.10 Crore during 2009-10 with a thrust in the core areas viz., Education, Health & Sanitation, Infrastructure, BahuJan Samrakshan, SC / ST Development Scheme, MRPL Rehabilitation Colony, Stree Shakti (Women Empowerment Programme), Additional Jala Sechana Samrakshan with the help of District Authorities.

13. DIRECTORS

- 13.1 Shri U. K. Basu has been appointed as Managing Director w.e.f. 1.9.2008 by the President of India in the vacancy caused by superannuation of Shri R. Rajamani on 31.08.08. Shri U. K. Basu is a Chemical Engineer and carries with him over three decades of rich experience in refinery construction / operations and management. The Board of Directors wishes to place on record its sincere appreciation for the contribution made by Shri R. Rajamani during his tenure as Managing Director of the Company and look forward to the continued excellent performance under the leadership of Shri U. K. Basu.
- 13.2 Shri Sudhir Vasudeva has been nominated as Director by ONGC on 26.02.09 in place of Shri N.K.Mitra who superannuated on 31.01.09. Shri Sudhir Vasudeva is a Chemical Engineer having 33 years of rich experience in ONGC and is presently the Director (Offshore) in ONGC.
- 13.3 Shri V. P. Singh, Independent Director on cessation of Directorship on the Board of ONGC consequent to the completion of his tenure, has ceased to be Director on the Board of MRPL also effective 26.06.2009.
- 13.4 The Board wishes to place on record its appreciation for the services rendered by Shri N.K.Mitra and Shri V. P. Singh during their tenure as Directors on the Board of the Company.
- 13.5 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri R. S. Sharma and Shri S. Roy Choudhury will retire by rotation at the 21st Annual General Meeting of the Company, Shri R. S. Sharma and Shri S. Roy Choudhury, being eligible, offer themselves for re-appointment.
- 13.6 Brief resume of the Directors seeking appointment / re-appointment, together with the nature of their expertise in specific functional areas, the names of the companies in which they hold the directorship and the membership / chairmanship of committees of the Board, and their shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Annexure to the AGM notice.

- 13.7 The Company continues to pursue with the Government of India (Ministry of Petroleum & Natural Gas) for appointment of the Independent Directors who are required to be appointed on the Board of the Company pursuant to the provisions of the Listing Agreement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to, give a true and fair view of the state of affairs of the Company at the end of the financial year viz., 31st March, 2009 and of the Profit or Loss of the Company for the year ended on that date;
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- They have prepared the Annual Accounts of the Company on a going concern basis.

15. ABRIDGED ACCOUNTS

Keeping in view the increasing availability of information about listed Companies in public domain and to contain the rising cost of compliance, SEBI has vide its Circular No. SEBI/CFD/DIL/LA/2007/26/4 dated 26.04.2007 permitted the listed Companies to send Abridged Annual Report to the shareholders in line with the requirement stipulated under Section 219 (1)(b)(iv) of the Companies Act, 1956. Accordingly, an abridged Balance Sheet is sent to the shareholders of the Company. Any shareholder interested in having a copy of the complete and full Balance sheet and Profit & Loss Account, may write to the Investor Relations Cell of the Company at Mumbai. The complete and full Balance sheet and Profit & Loss Account will also be available for inspection at the Registered Office of the Company during working hours of the Company.

16. FIXED DEPOSIT

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

17. AUDITORS

- 17.1 M/s. SRRK Sharma & Associates, Chartered Accountants were appointed as Statutory Auditors of the Company for the Financial Year 2008 - 09 by Comptroller & Auditor General of India (C&AG).
- 17.2 The report of the C&AG at Annexure - II forms part of this Report.
- 17.3 As per the requirement of the Central Government and pursuant to Sec. 233B of the Companies Act, 1956, the cost accounts maintained by the Company are being Audited by Cost Auditors appointed by the Board of your Company with approval of Ministry of Corporate Affairs (MCA) Govt. of India. The report of the Cost Auditors, M/s. JV Associates for the year 2008-09 will be submitted to MCA in due course.



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18. CORPORATE GOVERNANCE

- 18.1 The Company has complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements, except with the requirement of number of Independent Directors on the Board of the Company. Your Company is pursuing with the Administrative Ministry, MoP&NG for appointment of additional Independent Directors on the Board. The Annual Report contains a separate section on Corporate Governance.
- 18.2 Your Company is listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited.
- 18.3 As required under Clause 49 of the Listing Agreement with Stock Exchanges, your Company has obtained the Certificate from the Auditors of the Company, for Compliance of Corporate Governance which is annexed to and forms part of the Annual Report.
- 18.4 As a measure of good corporate governance, your Company has voluntarily taken up Secretarial Audit for the year 2008-09 and a Report obtained from M/s. Rathi & Associates, Practicing Company Secretaries is annexed to this Annual Report.
- 18.5 The Management Discussion and Analysis Report forms part of the Annual Report.

19. ACKNOWLEDGEMENT

- 19.1 At the outset, your Directors wish to acknowledge and place on record the contributions made by the human capital of the Company for their unwavering conviction and commitment which had enabled the Company to withstand the vagaries of fortunes during the year.

- 19.2 Your Directors 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 the Central Government and the State Government of Karnataka, Andhra Pradesh, Tamilnadu and Kerala and District Authorities at Mangalore for their valuable support and co-operation.
- 19.3 Your Directors gratefully acknowledge the support and direction provided by the parent company, ONGC.
- 19.4 Your Directors express their sincere thanks with gratitude to all the shareholders for continuing to repose their trust on the Management and the Company.
- 19.5 Your Directors acknowledge the continuing co-operation and support received from New Mangalore Port Trust, Financial Institutions, Banks and all other stakeholders such as suppliers of crude oil and other inputs, vendors, contractors, transporters and others.
- 19.6 Your Directors immensely thank the valued customers for their continued patronage for the products of the company.

For and on behalf of the Board

Place: Mumbai
Date: 3rd August, 2009

(R. S. SHARMA)
Chairman

ANNEXURE-I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

The Company continued its emphasis on energy conservation through operational optimization, continuous monitoring and implementation of several energy conservation schemes

- a) Major energy conservation measures taken during the year
- Hot well slop oil to LGO stripper modification carried out in Crude Distillation Unit.
 - Naphtha Hydrotreater Charge heater tube Pigging & Cleaning of Combined feed exchanger carried out which improved the energy performance of the CCR-1 unit.
 - In Visbreaker unit-2, all steam generators' tube bundles were cleaned to maximize medium pressure steam production.
 - Advanced Process Control system implementation completed in Crude Distillation Unit-2.
 - ISOM Unit Depentaniser pressure optimized and an operating philosophy of optimizing pentanes in feed was established based on MS quality
 - Provided automatic water draining facility for one crude storage tank.
- b) Additional investments and proposals, if any, being implemented/ under consideration for reduction of consumption of energy / resources
- Continuing:
- Recovery of Hydrogen from fuel gas streams & PSA tail gas streams.

New:

- Low pressure separator off gas to CCR-2 PSA for additional H₂ recovery.
 - Routing CCR Net gas to GOHDS unit for H₂ optimization in the Refinery.
 - Provision of KOD in Net Gas to ISOM Unit for maximizing use and minimizing pure Hydrogen make-up.
 - Amine off-gas routing provision to SRU-3 incinerator for minimizing flaring of the gas.
- c) The measures (a) above resulted in Energy consumption reduction by ~ 4100 MT/Year, which is equivalent to a net saving of approx. Rs.90 Million/year. The investment estimated for the measures (b) above is approximately Rs. 440 Million.
- d) Fuel & Loss in the Refinery for the year 2008-09 was 6.42%, as compared to 6.72% in 2007-08. F&L is comparatively lower on account of higher import of power from grid during the year & reduced running days of Light Naphtha Isomerisation Unit & Mixed Xylene Units. The Refinery Energy index (MBTU/BBL/NRGF) was lowest at 59.07 for the year 2008-09 as compared to 61.55 for the year 2007-08.
- e) Energy Conservation award

The Company won the First Prize in the prestigious 'Jawaharlal Nehru Centenary Award for Energy conservation in refineries' for four consecutive year from 2003-04 to 2006-07, instituted by the Ministry of Petroleum & Natural Gas (MoP&NG), through Centre for High Technology. Continuing the good performance, the Company has achieved the lowest ever MBN of 59.07 for the year 2008-09.

Mangalore Refinery and Petrochemicals Limited

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

Year	Crude throughput, MMTPA (Net Crude Basis)	Complexity, NRGF (CHT method)	Energy Index, MBN (MBTU/Bbl/ NRGF)
2008-09	12.586	5.277	59.07
2007-08	12.547	5.567	61.55
2006-07	12.532	4.926	63.13
2005-06	12.117	4.889	64.84

FORM - A

Total Energy consumption and Energy consumption per unit of production:

A) Power and Fuel Consumption	Current year 2008-09	Previous year 2007-08
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1. Electricity

a) Purchased

Unit (Million KWH)	23.99	3.73
Total Amount (Rs. Million)	123.76	27.04
Rate / Unit (Rs./KWH) *	5.16	7.25

* Includes demand charges of Rs. 19.97 Million (Rs.9.99 Million for 2007-08)

The unit cost per KWH excluding Demand charges is Rs.4.53 (Rs. 4.57 for 2007-08)

b) Own Generation

i) Through Diesel Generator

(at Sarpady)		
Unit (Million KWH)	0.02	2.46
Unit per ltr. Of Diesel (KWH/ltr.)	3.32	3.48
Cost / Unit (Rs./KWH)	9.89	8.61

ii) Through Steam turbine generator

Unit (Million KWH)	571.1	613.41
Unit per liter Of Fuel Oil (KWH/ltr) *	2.10	2.07
Cost / Unit (Rs./KWH) *	9.76	7.96

* Includes co generated Steam cost

2. Fuel Oil

Quantity (Million MT) (Oil+Gas)	0.735	0.771
Total Amount (Rs. In Million)	15798	13301.66
Average Rate (Rs./MT)	21476	17252.12

3. Others / Internal Generation

Diesel (at Sarapady)		
Quantity (KL)	5.39	705.38
Total Cost (Rs. Million)	0.18	21.15
Rate (Rs./KL)	32881	29983.86

4. Consumption per unit production

Total crude processed (Million TPA)	12.586	12.547
Total Fuel Consumed (Million TPA)	0.808	0.842
(Includes fuel and loss)		
Total Electricity (Million KWH)	588.54	613.67
Fuel Consumption, MT/ MT of Crude processed	0.0642	0.0671
Electricity Consumption, KWH / MT of Crude processed	46.76	48.91

FORM - B

A) RESEARCH AND DEVELOPMENT (R&D)

1. Specific Areas in which R&D carried out by the company during 2008-09:

❖ Crude Assay carried out using TBP apparatus - For MRPL

Arab Super Light Crude and Mangala Crude

❖ Crude Assay carried out using TBP apparatus -For ONGC

Gopavaram – Crude Kesanapalli – Crude

Lingala and – Crude Tatipaka Oil – Crude

❖ Spent Caustic Treatment with Chlorine Dioxide.

Experiments were carried out (continued) to optimize the Chlorine Dioxide consumption at various dilution ratios of Spent Caustic and treated effluent.

❖ Storage stability of residual Fuel oil.

Study of fuel oil stability on storage (without flasher section) with respect to Kinematic Viscosity.

❖ Characterization of Hydrocarbon degradable Micro organism present during bioremediation process of oily sludge.

To characterize bacteria / microbes responsible for breaking down and digest the oily sludge during bioremediation.

❖ Bio-filtration technology for Odour Control.

Experiments were carried out for destroying H₂S in gases using Bio-filtration; an innovative technology for odour control.

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

❖ Arab Super Light – Crude Assay and Mangala – Crude Assay was carried out using TBP apparatus. Product yield pattern obtained from the Crude Assay helped operation to optimize unit – operating conditions to achieve the same yield pattern.

Crude assay of Gopavaram – crude, Kesanapalli – crude, Lingala – crude and Tatipaka Oil – crude was carried out to propose and design a mini Refinery at ONGC Tatipaka, AP.

❖ Spent caustic treatment with Chlorine Dioxide, for destroying the odour causing phenols was studied at plant scale using chlorine dioxide generator and treated effluent with modified experimental set up. Experiments provided solutions for destroying undesirable odour-causing phenols from the treated effluent and spent caustic at low capital investment.

❖ Study of fuel oil stability on storage with respect to Kinematic Viscosity has helped understand the effect of flasher section of Visbreaker Unit.

❖ Study of characterization of hydrocarbon degradable micro organisms from the oily sludge helped understand the microbes responsible for bioremediation process.

❖ Study of Bio-filtration technology helped understand the effectiveness of microbial growth and filter bed design, in reducing the H₂S content in gases. Bio-filtration technology can be adopted to destroy lower levels of odour causing gaseous components to avoid air pollution.

3. Future plan of action:

❖ Crude Evaluation

❖ Additive Evaluation.

❖ To establish methodology of monitoring trace metal contamination in Lube oil using ICP MS

❖ Setting-up a separate R&D wing with full time research staff.



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4. Expenditure on R&D:

- ❖ **Capital:** Rs. 70.94 lakhs
- ❖ **Recurring:** Rs. 08.92 Lakhs
- ❖ **Total:** Rs. 79.86 lakhs
- ❖ Total R&D expenditure as percentage of total Turn over – Negligible.

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- i) Efforts, in brief, made towards technology absorption, adaptation and innovation.
 - a) Technologies for process units of Phase-1 & 2 have been fully absorbed.
 - b) Light Naphtha Isomerisation unit commissioned during end-2006
 - c) Gas Oil Hydro-desulfurisation unit capacity revamp activity taken-up for increasing plant capacity by 30%.
- ii) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.
 - a) Refinery throughput sustained at 130% of installed capacity, even while meeting Clean Fuel specifications, which required higher complexity operations.
 - b) GOHDS unit capacity revamp will improve Refinery capability of producing Euro-IV grade Diesel

iii) 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 frequency drives, GOHDS unit capacity revamp
- b) Year of import
2004-05 and 2008-09
- c) Has technology been fully absorbed?
Yes, for Isomerisation process and VFDs
- d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.
GOHDS unit capacity revamp under implementation, Scheduled for completion during March-2010.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. In Crore)

	2008-09	2007-08
Foreign Exchange Earnings		
FOB Value of Exports	11636.18	11141.45
Foreign Exchange Outgo	28880.31	25309.37

ANNEXURE II TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MANGALORE REFINERY AND PETROCHEMICALS LIMITED, MANGALORE, FOR THE YEAR ENDED 31ST MARCH, 2009.

The preparation of financial statements of Mangalore Refinery and Petrochemicals Limited, Mangalore, for the year ended 31st March, 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 27th May, 2009.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of Mangalore Refinery and Petrochemicals Limited, Mangalore for the year ended 31st March, 2009. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company Personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the Comptroller and Auditor General of India

C.H. Kharshing, I.A.A.S

Pr. Director of Commercial Audit

& ex-officio Member, Audit Board, Bangalore.

Place: Bangalore

Dated: 6th July, 2009