25th

ANNUAL REPORT 2012-13

FULCRUM OF GROWTH

Highest ever Export in FY 12-13

Highest ever turnover for FY 12-13

Processed highest ever volume of Crude Oil in FY 12-13

Refinery of the Year twice : 2009, 2012

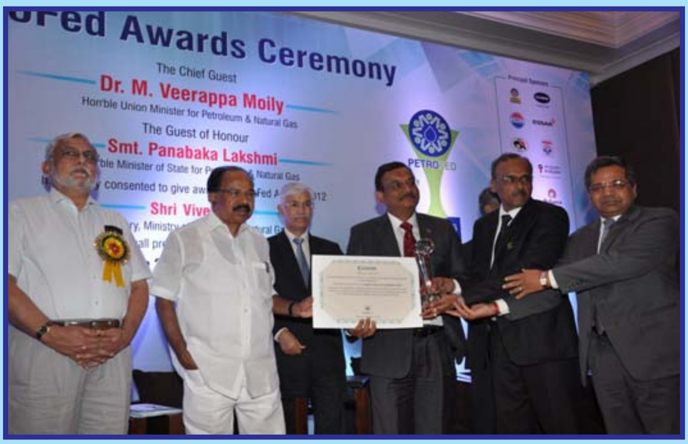
Now, a Schedule A Company

ONGC

एमआरपीएल
MRPL

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

Shri Sudhir Vasudeva, C&MD, ONGC and Chairman, MRPL delivering his speech in the function ‘Abhyudaya’ organized in connection with completion of 10 years association with ONGC.



MRPL is receiving the coveted Petrofed Award, 2012 “Refinery of the year” from Dr. M Veerappa Moily, Hon’ble Union Minister for Petroleum & Natural Gas at New Delhi.

Shri P. P. Upadhya, Managing Director, MRPL receiving the Export Excellence Award, 2013 in Best Manufacturer-Exporter-Large category- Gold from the Karnataka Chamber of Commerce and Association.

BOARD OF DIRECTORS

Shri Sudhir Vasudeva	Chairman
Shri P.P. Upadhya	Managing Director
Shri Vishnu Agrawal	Director (Finance)
Shri V. G. Joshi	Director (Refinery) (From 04/04/2013)
Shri P. Kalyanasundaram	Director (From 15/04/2013)
Shri B. K. Namdeo	Director (From 01/07/2013)
Shri B. Ravindranath	Independent Director
Dr. D. Chandrasekharam	Independent Director
Shri K.S. Jamestin	Special invitee
Shri K. Murali	Director (Upto 30/06/2013)
Shri P.K. Singh	Director (Upto 11/04/2013)
Dr. A.K. Rath	Director (Upto 15/02/2013)
Shri Vivek Kumar	Director (Upto 06/08/2012)
Shri U.K. Basu	Managing Director (Upto 30/06/2012)

COMPANY SECRETARY

Shri B. Sukumar (from 14/02/2013)

Shri Dinesh Mishra (upto 13/02/2013)

REGISTERED OFFICE

Mudapadav, Kuthethoor,
P.O. Via Katipalla,
Mangalore- 575030, Karnataka
Tel. No.: 0824-2270400
Website.: www.mrpl.co.in

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SOLICITORS & ADVOCATES

M/s. Mulla & Mulla & Craigie Blunt & Caroe, Solicitors.
M/s. Alaya Legal, Advocates

JOINT STATUTORY AUDITORS

M/s. Maharaj N.R. Suresh & Co,
Chartered Accountants

M/s. Gopalaiyer & Subramanian,
Chartered Accountants

COST AUDITORS

M/s Musib & Associates,
Cost Accountants

BANKERS

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

INVESTOR RELATION CELL

MANGALORE REFINERY AND PETROCHEMICALS LIMITED

- Mudapadav, Kuthethoor,P.O. Via Katipalla
  Mangalore- 575030, Karnataka
  Tel. No.: 0824-2270400 Fax No.: 0824-2273300
  Website : www.mrpl.co.in
- LGF, Mercantile House
  15, K.G. Marg, New Delhi – 110001
  Tel : 011-23463100 Fax : 011-23463201
  E-mail: investor@mrplindia.com
- **M/s. LINK INTIME INDIA PVT.LTD** (R&T Agent)
  C-13 Pannalal Silk Mills Compound,
  L.B.S Marg, Bhandup (West), Mumbai - 400 078
  Tel.: 022-25963838 / 25946970 Fax No.: 022-25946969
  E-mail: mrplirc@linkintime.co.in
  Website : www.linkintime.co.in

DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors of Mangalore Refinery and Petrochemicals Limited (MRPL) and on my own behalf, it is my privilege to present the 25th Annual Report of the performance of your Company, the Audited Accounts and Auditors' Report thereon for the year ended 31/03/2013.

2012-13 : Silver Jubilee Year of your Company

Your Company which was set up in 1988 with a processing capacity of 3.69 MMTPA was later expanded to 9.69 MMTPA before reaching the present capacity of 15 MMTPA.

25 years later, your Company MRPL, is an ONGC group company, a trail blazer with cutting edge technology and a jewel in the crown of our great Nation.

With ONGC powering MRPL : A Decade of Exponential Growth and Prosperity

The Board of Directors acknowledge the wonderful success story scripted by your Company under ONGC Group. In just 10 years, your company turned around from a 'BIFR' case to a 'Mini Ratna, Category 1' in July 2007 and a Schedule "A" Public Sector Enterprise in July, 2013. Your Company moved the needle of capacity utilization from a sluggish 70%, a decade back to a remarkable above 100% capacity utilization, year on year, for the last decade. The capacity itself has been increased from 9.69 MMTPA to 15 MMTPA. Your Company's ability to deliver results is recognized by the Indian hydrocarbon industry and your Company have been awarded "Refinery of the Year" for 2009 and for 2012 by Petrofed.

2012-13 : New milestones; Tough challenges.

2012-13 was a year of new milestones. Your Company have processed highest ever crude of 14.4 MMT during the year and posted the highest ever gross turnover of ₹ 68,834 Cr despite the shutdown of the refinery due to water shortage during 19/04/2012 to 27/04/2012. Inspite of the good physical performance during the year, the Company has incurred a net loss after tax of ₹ 757 Cr against after tax profit of ₹ 909 Cr in the previous year. The loss was mainly contributed by shutdown of the refinery due to water shortage at a time when the price of Crude and Product was falling resulting in inventory losses, lower operating margin, higher depreciation and interest cost arising out of Phase III capitalization. It must be admitted that your Company has put in a very creditable performance during the year 2012-13 in the background of the industry scenario and as compared with the performance results of the peers. On completion of Phase-III project in its entirety, the company anticipates the benefits of the project will start accruing and is expected to be in the path of profitability again.

Major highlights of Company's performance during the year 2012-13

1. Processed the highest ever crude of 14.4 MMT during the year 2012-13, against 12.82 MMT in 2011-12 and recorded the highest ever gross turnover of ₹ 68,834 Cr for the year 2012-13 against ₹ 57,207 Cr for the year 2011-12.
2. Higher distillate yield in 2012-13 at 76.55% as against 73.27% in 2011-12.
3. Set a new record in export during the year at 7.10 MMT vis-a-vis last year's 5.59 MMT
4. Procured the highest Crude of 14.15 MMT during the year 2012-13 as against 13.02 MMT in 2011-12 at a time of sanction against Iran.
5. The product despatch for the year 2012-13 at 13.17 MMT was highest against 11.95 MMT in 2011-12.

1.1 SUMMARY OF FINANCIAL PERFORMANCE

(₹ In Cr.)

	Year ended 31st March, 2013	Year ended 31st March, 2012
Turnover	**68,834**	**57,207**
Profit before Depreciation Interest and Tax	456	1,961
Interest and Finance Charges	329	207
Gross Profit after interest but before Depreciation and Tax	127	1,754
Depreciation and Amortizations	604	434
Profit/(Loss) Before Tax	**(477)**	**1,320**
Provision for Taxation (deferred tax liability)	280	411
Profit/(Loss) after Tax	**(757)**	**909**
Balance of Profit/(Loss) brought forward from previous year	4,999	4,298
Surplus available for appropriation	**4,242**	**5,207**
Appropriations:		
Dividend on Equity Shares	-	175
Tax on Dividend	-	28
Transfer to Capital Redemption Reserve	5	5
Balance carried to Balance Sheet	**4,237**	**4,999**

1.2 DIVIDEND

In view of the losses during the year 2012-2013, declaration of dividend could not be considered by the Board of Directors for the year.

1.3 OPERATIONAL PERFORMANCE

Your Company with increased capacity addition had processed the highest ever crude of 14.4 MMT during 2012-13 against 12.82 MMT in 2011-12 despite shutdown of the refinery from 19th April to 27th April, 2012 due to water shortage. Fuel & Loss for the year 2012-13 was 7% against 6.75% in 2011-12. Higher fuel & loss was mainly on account of commissioning activities of Phase-III units and force majeure shutdown of the refinery during the first quarter of the year due to water crisis. The energy index for the year 2012-13 was 61.01 (MBTU / BBL / NRGF) against 57.92 in 2011-12 and MBN was higher during the year due to higher fuel & loss and lower complexity operations. The Company processed some new crudes namely Zafiro, Rabi, Aseng and Hungo for the first time during the year 2012-13.

1.4 EXPORTS

Your Company have achieved highest ever export turnover of ₹ 33,340 Cr during the year 2012-13 by exporting petroleum products viz., Motor Spirit, Naphtha, Mixed Xylene, High Speed Diesel, Jet fuel and Fuel Oil.

The three year term export contract for the supply of petroleum products to State Trading Corporation, Mauritius to meet the demands of Republic of Mauritius continued during the year. Your Company has successfully finalised a new 3 year contract with STC, Mauritius for supply of petroleum products which will be valid till 31/07/2016.

In the global competitive market, your Company have secured its place by exporting the petroleum products and is continuing to explore opportunities for its growth.

1.5 SAFETY PERFORMANCE

Your Company have recorded accident free period of 435 days during the year. No major outbreak of fire during the year resulting in property loss or environmental damage. Hydrogen and DHDT Plants of Phase-III were commissioned safely during the year in addition to a few new tanks. Your Company is committed towards imparting continuous training in fire & safety practices. During the year, 873 employees and 4,722 contract workmen were trained in fire and industrial safety. OISD external safety audit was conducted in December-2012.

A total of 7 Mock exercises were conducted during the year considering the various emergency scenarios like toxic gas leak, fires, in Plant and Non-Plant area like Materials Department. This includes one full scale "off site" Mock exercise carried out in the presence of District Crisis Group Members on 04/12/2012 which was followed by Review Meeting and timely implementation of all the recommendations.

1.6 ENVIRONMENT MANAGEMENT & PERFORMANCE

In Environment Management, the Company's Philosophy is to perform beyond Compliance - that is to perform better than minimum required by statutes. The refinery is certified with ISO 14001: 2004 for Environment Management Systems.

The major achievements on the Environment Management and performance front include:

- Phase III advanced Waste Water Treatment Plant which includes oil effluent treatment unit & Sequential Batch Reactor (SBR) unit was commissioned in the month of March, 2013. Membrane Bio Reactor (MBR) unit pre-commissioning jobs are in progress.
- Sulphur Pastillation Unit is being commissioned in the Refinery as a part of Phase – III to reduce dust emissions in the Sulphur Recovery Unit (SRU).
- An advanced Reverse Osmosis (RO)Plant is set up for maximizing the quantity of treated effluent back to the Refinery. RO will be commissioned shortly.
- Wet Air Oxidation (WAO) Unit is set-up in the refinery to treat Spent Caustic and to improve the WWTP performance.
- A Condensate Recovery Unit has been commissioned in process unit resulting reduction in fresh water consumption.
- A Closed Bioremediation Unit is being commissioned in the refinery as a part of WWTP-III
- VOC Emission is being monitored at 74,000 points in the refinery through reputed agency and corrective measures are taken to effectively minimize the same.
- Environment Awareness programs are organized periodically in the neighbouring villages & schools in association with Karnataka State Pollution Control Board (KSPCB).
- Order was placed on State Forest Department for developing greenbelt in 120 acres area. Plants are being developed in their nursery. Tree Plantation is already commenced in the Refinery.
- An advanced technology has been employed for cleaning Crude Tanks in the refinery.
- Seawater quality monitoring was carried out by M/s. College of Fisheries on fortnight basis indicating no adverse effect on the marine environment.
- Ten Ground Water monitoring stations in and around Refinery have been set up and regular monitoring of ground water quality is being carried out along with KSPCB.
- Average treated effluent recycled to cooling towers during the year was 70-75%.
- Ambient air quality monitoring is being done inside and outside the Refinery at 9 locations (including two locations at Phase-III Project site) as per revised National Ambient Air Quality Monitoring Standard.

The following ongoing projects are in various stages of installation:

- Vapour Recovering System for light hydrocarbon storage tanks in Phase – III Refinery Project,
- VOC Recovery system in WWTP- III,
- Installation of additional Hydrocarbon detector at strategic locations in the Refinery,
- Installation of automatic rim seal protection for storage tanks at procurement stage and
- Connection of LPG spheres and Moulded Bullets PSV discharge to flare header.

1.7 MARKETING

1.7.1 Domestic Marketing of Products

Your Company continued its direct marketing activity in the segment of petroleum products in the State of Karnataka and the adjoining States. The direct sales turnover during the year 2012-13 was ₹ 3,750 Cr compared to ₹ 2,755 Cr in the previous year.

1.7.2 Retail Operations

Government of India has announced complete decontrol of HSD prices for direct bulk consumers. Your Company has already made inroads in the bulk HSD market. Pending finalization of the Govt. policy towards eventual complete decontrol of HSD prices for retail segment, your Company have taken cautious steps to set up only few retail outlets in select markets. However, your company is in preparedness to enter the retail market in short notice. MS prices remain decontrolled and sales from existing retail outlets continue.

1.7.3 New Products Marketing Plan

Your Company is setting up a polypropylene (PP) plant of 440 KTPA capacity for bulk supplies to downstream processing industry. Detailed Business Plan for sale of PP has been finalized and selection of channel partners for sale in domestic market is in progress. In addition, your Company is also developing storage infrastructure for PP in Karnataka.

Your Company is also putting up a Delayed Coker Unit, which will produce pet coke, a new product in the product basket of MRPL. Your Company shall undertake sale of pet coke to major industrial consumers in South India.

1.7.4 Joint Ventures

Your Company's Joint Venture (JV) with Shell B.V. Netherland in the name and style of Shell MRPL Aviation Fuel Services Private Limited (SMAFSPL) supplies Aviation Turbine Fuel to both domestic and international airlines at Indian airports. During the year, this JV Company has been converted into a public company (SMAFSL).

SMAFSL is aggressively acquiring market share in both domestic and international airlines at Indian airports. The company commenced its operations at Goa and New Delhi. Aviation fuelling station facility has been set-up at Mangalore. The turnover for the year 2012-13 is ₹ 486.10 Cr (2011-12 ₹ 517.35 Cr) and recorded a Pre-tax profit of ₹ 13.14 Cr for the year (Previous Year ₹ 18.16 Cr). The company has proposed to pay a dividend of 8% for the year 2012-13 (10% in 2011-12).

2. AWARDS AND RECOGNITION:

- MRPL has been upgraded from Schedule 'B' to Schedule 'A' company with effect from 4/7/2013.
- MRPL has bagged the coveted Petrofed Award, 2012 "Refinery of the Year" for the commendable performance in production and operational efficiencies while meeting the norms of health, safety and environment protection.
- MRPL has won "Export Excellence Award, 2013" in Best Manufacturer – Exporter - large category- Gold by Federation of Karnataka Chamber of Commerce and Industry.
- MRPL was conferred "State Export Excellence Award" for 2010-11 & 2009-10 Medium/Large category – Gold by Government of Karnataka.
- MRPL has been rated "Excellent" in performance as per the MoU signed with ONGC for the year 2011-12 and 2012-13 (provisional).
- Managing Director, MRPL has won the "CEO with HR Orientation Award" in the Global HR Excellence Awards presented by Institute of Public Enterprise, Hyderabad.
- MRPL was conferred with "BT-Star PSU Excellence Award, 2013" in Human Resource Management category (Mini ratna /others).
- MRPL was awarded First Prize for outstanding performance in the area on Hindi Implementation for two consecutive years 2011-12 and 2012-13 by the Town Official Language Implementation Committee, Mangalore.

3. CREDIT PROFILE

3.1 ICRA has reaffirmed Issuer Rating "Ir AAA" (pronounced IR Triple A) to MRPL. This rating indicates the highest credit quality rating assigned by ICRA and the rated entity carries the lowest credit risk.

3.2 ICRA has assigned "[ICRA] AAA" (pronounced as ICRA Triple A) to ₹ 3,000 Cr Fund- Based limits of MRPL. The outlook on the rating is "Stable".

3.3 ICRA has assigned "[ICRA] A1+" (pronounced as ICRA A one plus) to ₹ 4,000 Cr Non-Fund based limits of MRPL.

3.4 ICRA has reaffirmed "[ICRA] A1+" (pronounced as ICRA A one plus) to ₹ 900 Cr Commercial Paper Programme of MRPL. This rating indicates the very strong degree of safety regarding timely payment of financial obligations i.e., which carries the lowest credit risk.

3.5 CRISIL has reaffirmed the highest Corporate Credit Rating "[CCR AAA]" (pronounced as CCR Triple A) to MRPL. This rating indicates highest degree of strength with regard to honouring debt obligations by MRPL.

External Commercial Borrowings

Towards partial Debt Funding for Phase III Refinery Project, Polypropylene Project and SPM Project, your Company had tied up External Commercial Borrowings (ECB) of US $ 250 Million in 2011-12, out of which US $ 50 Million was availed in the year 2011-12 and remaining US $ 200 Million was drawn in the year 2012-13. In order to keep the interest cost lower, your Company tied up further ECB of US $ 400 Million in the year 2012-13 and have drawn out of it US $ 50 Million during the year.

4. INTERNAL CONTROL SYSTEM

Your Company remains committed to ensure an effective internal control environment that provides assurance on the efficiency of operations and security of assets. Internal Audit department functions under the supervision of the Audit Committee chaired by an Independent Director. Your Company have a well established internal control review mechanism which assures an effective internal control environment to the Audit Committee and Board of Directors.

5. PROJECTS

A) Ongoing Projects

i. Phase III Refinery Upgradation and Expansion Project.

The implementation of ongoing Company's Phase III Refinery Project to increase complexity and profitability by increasing the refining capacity to 15 MMTPA, to process high TAN and heavy crude, increasing the distillate yield by upgrading low value naphtha and black oils and to produce value added products like Propylene and upgrade its total diesel pool to superior (Euro III/IV) grade HSD is nearing completion. The estimated cost of the project continues to be ₹ 12,160 Crore despite some delay in completion.

The implementation of the project though delayed is now progressing satisfactorily. As of 15/07/2013, the overall physical progress is 99 % against scheduled target of 100%. Due to the delay in completion of the CPP, your Company had taken up alternate measures to commission some of the units in Phase III with the utilities (power and steam) sourced from existing Refinery CPP. All the process units and the downstream units have achieved Mechanical Completion which includes major units like Petro Fluidized Catalytic Cracking Unit (PFCCU), Delayed Coker Unit (DCU), Sulphur Recovery Unit (SRU). The Units are awaiting the availability of uninterrupted Steam and Power for carrying out the pre-commissioning and commissioning activities from CPP which is being executed by M/s BHEL. CPP is anticipated to be completed progressively by September / October, 2013. However, GTG 1 / HRSG 1 / GTG 2 have been commissioned.

HGU and DHDT units have been successfully commissioned. The other associated Utilities and offsite facilities like Cooling Water System, DM Water System, Air & Nitrogen System, Waste Water Treatment System & Fire Water System have also been commissioned.

The cost commitment for Phase III project was ₹ 10,935 Cr while the cumulative expenditure incurred was ₹ 10,458 Cr as on 31/07/2013. The project having reached the completion stage of 99% and cost commitment nearing completion, it is anticipated that there will not be any cost overrun despite the delay in project completion.

ii. Polypropylene Project

The setting up a Polypropylene unit integrated with the Phase III Project at an estimated capex of ₹ 1,804 Cr by your company with M/s. Novolen Technology, Germany is moderately delayed due to PDF problems. The non vacating of site by PDF has resulted in shifting the location of the unit and delayed commencement of site work and delayed receipt of environmental clearance. Site grading work has now been carried out in the new location and civil and structural works and equipment erection are in progress.

This Project has achieved a progress of 90 % as against target of 93 % as of 15/07/2013. The Cost Commitment made for Polypropylene Project was ₹ 1,298 Cr while the cumulative expenditure incurred was ₹ 725 Cr as of 31/07/2013.

iii. Single Point Mooring (SPM) Project

Your Company have set up SPM project along with coastal booster pumping station within the port limits at a location of 16 kilometers from the shore (High-Seas) having draft availability of 30 meters for handling upto Very Large Crude Carrier (VLCC) at an estimated cost of ₹ 1044 Cr. This facility will enable the company to receive crude in suez max / VLCC vessels, which in turn will give freight economics and also allow access to West African and Latin American countries crudes. This facility will also de-congest existing berth facility at NMPT port and reduce the incidence of demurrage. The facility can also be deployed for crude receipt by the Indian Strategic Petroleum Reserve Limited (ISPRL) underground cavern for storage of Crude oil at Mangalore.

The project activity has achieved an overall progress of 98.64% against the revised scheduled target of 99.12 % as of 15/07/2013. The testing of the facility was started on 03/01/2013. However, due to technical issues, it was taken up for repairs. This repair activity has since been completed. Cost Commitment made for SPM project was ₹ 688 Cr while the cumulative expenditure incurred was ₹ 651 Cr as of 31/07/2013.

iv. Refinery Performance Improvement Programme

Your Company have taken up Refinery Performance Improvement Programme (RPIP) through M/s Shell Global Solutions International B.V. (SGSI) under the auspices of Center for High Technology, Ministry of Petroleum & Natural Gas.

The RPIP is aimed at identifying opportunities for improvement by adopting best operating practices in the areas having a bearing on profit margin including optimizing operation, energy and utilities consumption, minimizing hydrocarbon loss and improving maintenance and inspection practices.

The first part of Assessment phase has been completed and is presently under development for implementation.

B) Future Projects

Your Company have signed an MoU with Government of Karnataka for setting up a Linear Alkyl Benzene (LAB) Plant (for producing raw materials to manufacture detergent) and to expand its refining capacity to 21 MMTPA subject to techno-economic viability and availability of required infrastructure at Mangalore with an approximate investment of ₹ 8500 Cr. Besides these, Company has been planning to put up a Pet Coke gasification plant and an Olefin Complex (Naphtha Dual Feed Cracker) at an estimated cost of ₹ 2300 Cr. The preliminary feasibility report is under finalization for this project.

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

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 Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings & outgo are furnished in **'Annexure - I'** which forms part of this Report.

7. PARTICULARS OF EMPLOYEES

Your Company being a Government Company is exempted from disclosure of particulars of employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

8. RIGHT TO INFORMATION ACT, 2005

Your Company have a RTI manual posted in the website www.mrpl.co.in.

During the year, 96 applications were received, out of which 80 were disposed off before 31/03/2013 and balance 16 applications disposed off after 1/04/2013.

9. HUMAN RESOURCES

- During the year 2012-13, your Company continued to enjoy cordial and harmonious relations with the collectives and as evidence to the same, not a single man-hour was lost on account of industrial disturbance.
- Your Company have recruited 160 employees including 24 women employees, 21 Schedule Caste (SC) & Schedule Tribe (ST) during the year 2012-13.
- Total employee strength as on 31/03/2013 was 1625 including 119 women employees. The strength of Management cadre employees were 629 and 996 were from Non-Management cadre. The total number of employees belonging to SC/ST categories was 150 and Physically Challenged 5.
- During the year 2012-13, your Company devoted 7191 man-days for Training, Development and Learning which amounts to an average 4.50 man-days per employee. This includes functional, developmental and special training programs covering the entire spectrum of employees.

10. OFFICIAL LANGUAGE:

Your Company implements Official Language Policy in letter and spirit, as per the Annual Programme prescribed by the Department of Official Language, Ministry of Home Affairs, Govt. of India. In order to propagate Hindi among the employees, Hindi Workshops were organised on a regular basis. In order to increase the correspondence in Hindi, by the employees, special efforts were made to activate Unicode facilities on all the computers of the Refinery.

Your Company promotes use of Hindi by conducting various programmes and competitions for the employees, their children and family members. Special awards were given to the eight topper students of MRPL DPS School, Mangalore who earned the highest marks in the public examination of class Xth in Hindi Language.

In order to propagate Hindi in the Refinery a House Journal (Half yearly) namely “MRPL PRATIBIMB” is being published from January, 2013.

Your Company have been awarded first prize for outstanding performance in Hindi implementation for the year 2011-12 and 2012-13 by the Town Official Language Implementation Committee, Mangalore and also won nine prizes in the competition.

11. VIGILANCE FUNCTION:

Your Company have developed a structured mechanism of vigilance functions and its practices are focused towards creation of value for all the stakeholders. The practices involve multi-layer checks and balances to improve transparency. Vigilance Awareness and Preventive vigilance activities were continuously carried out during the year. Guidelines of Central Vigilance Commission (CVC) are being followed. Officers in sensitive posts are rotated regularly.

Whistle Blower Policy for employees is in place which ensures that a genuine whistle blower is granted due protection from any victimization. In compliance with CVC instruction, your Company has implemented a complaint handling policy in which all complaints received from various sources can get recorded and can be examined by vigilance. Further, in line with CVC instruction, your Company have achieved very high compliance level with regard to e-payment and e-tender.

Leveraging of technology to enhance transparency has been a thrust area of action in which vigilance has played a catalytic role. The website of the company displays downloadable tender document, publication of information of works awarded on nomination basis, publication of post award information of contracts.

Full time Chief Vigilance Officer is in place and he can be contacted at cvo@mrplindia.com for any complaints having vigilance angle.

12. SECURITY MEASURES

Security of MRPL Refinery is designed to comply with Oil Sector Infrastructure Protection Plan (OSIPP) formulated by Ministry of Petroleum and Natural Gas (MoP&NG). Security of MRPL Refinery is constantly being upgraded to meet with the requirements of OSIPP. Various security measures taken up at MRPL are as follows:

12.1 CISF Induction:

The Ministry of Home Affairs (MHA), Govt of India had sanctioned a total of 200 Central Industrial Security Force (CISF) personnel for the protection of MRPL Refinery. The CISF had initially deployed a Quick Reaction Team for protection of the Refinery. The CISF has recently taken over security of MRPL Refinery with the induction of 110 CISF personnel. The remaining sanctioned strength of 90 personnel will be inducted by December, 2013. The CISF Township being constructed at a total cost of ₹ 32 crore is expected to be ready by December, 2013.

12.2 CCTV Surveillance & Access Control:

The Refinery is covered by state-of–the art CCTV Network designed to cover all the access control gates and other strategic locations. Plan to extend CCTV coverage along with an integrated CCTV cum Communication control room is on the anvil. The security to Refinery facility is strictly controlled by appropriate access control.

12.3 Mock Drills:

Your Company regularly conducts mock drills to assess the preparedness of the security forces to safeguard the Refinery and its operation in the event of strike, law and order problems and other security related events independently and also along with the District Authorities besides State Police and Coast Guard. MRPL and industries in the neighbourhood are actively involved in the Coastal Security Exercises conducted along the coastal area under the auspices of Coast Guard.

12.4 The security system in place is routinely inspected and reviewed by the Industrial Security Branch of Intelligence Bureau (IB) to identify grey area and recommend / suggest improvements. Your Company deligently implements the majority of IB’s recommendations. The IB team had appreciated the Physical Security, IT Security and Fire Fighting systems at MRPL. Your Company is also guided by security expertise of the parent company.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The CSR objective of your Company promoted under the name of ‘SAMRAKSHAN’ is to promote in a holistic and sustainable manner, development of under-privileged communities, afflicted by poverty, illiteracy, illness and physical disabilities. Besides these, your Company has taken CSR initiative to protect, preserve and promote the social, cultural and environmental, heritage and wealth in and around the area of company’s business and to usher in sustainable development.

Your Company with these objectives has implemented a number of CSR programmes. The major programmes are sponsoring Midday Meal to support continuing education, setting up of computer lab, add on facility to Government schools, promotion of livelihood for economically weaker section of people by organising computerised stitch craft, JCB and crane operating training programme, construction of Community hall for local Panchayat, participation in development of appropriate access road to and from remote villages to main arterial roads, providing scholarship and financial assistance to girl and SC/ST students for the Academic year 2012-13 , construction of class rooms, anganwadi, toilets and bath rooms for students’ hostel and running a free primary health centre.

The Company along with ONGC has extended its commitment by putting up a separate block to the 162 year old Lady Goschen Hospital at an estimated cost of ₹ 21 Crores. The foundation stone for this facility was laid on March 18, 2013 by the Honourable Union Minister for Petroleum & Natural Gas Dr. M Veerappa Moily and Chief Minister of Karnataka Shri Jagadish Shettar. This activity will make a lasting impact in health services provided to women and infants in the city of Mangalore and surrounding areas.

Your Company has spent ₹ 4.65 Cr. for various CSR activities during the year 2012-13.

14. DIRECTORS

During the year, following changes took place in Board of Directors of your Company:

14.1 Shri P. K. Singh, Joint Secretary, MoP&NG was appointed on 17/08/2012 in place of Shri Vivek Kumar, Joint Secretary, MoP&NG.

14.2 Dr. A. K. Rath, Independent Director completed his three year tenure on 15/02/2013.

14.3 Shri V. G. Joshi has been appointed as Director (Refinery), MRPL and he had assumed charge on 04/04/2013.

14.4 Shri P. Kalyanasundaram, Joint Secretary, MoP&NG has been appointed w.e.f. 15/04/2013 in place of Shri P. K. Singh, Joint Secretary, MoP&NG.

14.5 Shri B. K Namdeo, Director (Refinery), HPCL has been appointed w.e.f. 01/07/2013 in place of Shri K. Murali, who superannuated from HPCL.

14.6 The Board wishes to place on records its appreciation for the services rendered by Shri Vivek Kumar, Dr. A. K. Rath, Shri P. K. Singh and Shri K. Murali as Directors during their tenure on the Board of the Company.

14.7 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri P. Kalyanasundaram and Shri Sudhir Vasudeva will retire by rotation at the 25th Annual General Meeting of the Company. Shri P. Kalyanasundaram and Shri Sudhir Vasudeva being eligible, offer themselves for re-appointment as Directors of the Company.

14.8 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 are furnished in the Annexure to the AGM notice.

15. DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors’ responsibility statement, it is hereby confirmed that:

i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no departures from the same.

ii) The Directors 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 as at 31st March, 2013 and the Profit & Loss of the Company for the year ended on that date.

iii) The Directors 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, and

iv) The Directors have prepared the Annual Accounts of the Company on a "going concern" basis.

16. FIXED DEPOSIT

Your Company have not accepted any fixed deposit during the year from the public.

17. CORPORATE GOVERNANCE

17.1 Your Company have complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements and mandatory guidelines on Corporate Governance for CPSEs issued by DPE, Government of India except having requisite number of Independent Directors on the Board of the Company. There are two Independent Directors on the Board of your Company. The Company is pursuing with Ministry of Petroleum and Natural Gas (MoP&NG), Government of India for appointment of requisite number of Independent Directors.

17.2 The Annual Report contains a separate section on Corporate Governance, which forms part of this report.

17.3 Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, your Company have obtained the Certificate from the Joint Statutory Auditors of the Company towards compliance of Corporate Governance which is annexed and forms part of this report.

17.4 In terms of Clause 49 (IV) (F) of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report **(Annexure - II)** have been attached and forms part of this report.

17.5 As a measure of good corporate governance, your Company has engaged Practicing Company Secretaries for conducting Annual Secretarial Compliance Audit for the year 2012-13. The Practicing Company Secretaries have issued Annual Secretarial Compliance Audit Report for the year 2012-13 which forms part of this report.

18. AUDITORS

18.1 M/s. Maharaj N. R. Suresh & Co., Chennai and M/s. Gopalaiyer and Subramanian, Coimbatore have been appointed as Joint Statutory Auditors of the Company for the Financial Year 2012-13 by Comptroller & Auditor General of India (C&AG).

18.2 The report of the C&AG at **Annexure - III** forms part of this Report. You will be pleased to note that your Company has got 'NIL' comments certificate from C&AG for the 11th year in a row.

18.3 Pursuant to the provisions of Section 233B of the Companies Act, 1956, the cost accounts maintained by the Company are being audited by Cost Auditors M/s. Musib and Associates who are appointed with approval of Ministry of Corporate Affairs, Government of India.

19. ACKNOWLEDGEMENT

19.1 Your Directors sincerely thank the Government of India, Ministry of Petroleum and Natural Gas, Ministry of Finance, Ministry of Corporate Affairs, Department of Public Enterprises, Ministry of Environment and Forest, Ministry of External Affairs, Ministry of Shipping, Ministry of Heavy Industries, Ministry of Home Affairs other Ministries, Public Enterprise Selection Board and Departments of the Central Government and the Government of Karnataka for their valuable support and continued co-operation.

19.2 Your Directors gratefully acknowledge support and cooperation extended by Hindustan Petroleum Corporation Limited, as co-promoter of the company.

19.3 Your Directors wish to thank the shareholders for their continued confidence reposed on the management and the Company.

19.4 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, contractors, transporters and others.

19.5 Your Directors recognize the patronage extended by the valued customers for the products of the company and promise to provide them the best satisfaction.

19.6 Your Directors wish to place on record their sincere appreciation of the sustained and dedicated efforts put in by all the employees collectively and concertedly as a Team.

19.7 Your Company salutes ONGC with deep gratitude for the courage and conviction displayed by ONGC in acquiring and transforming your Company. Today, with all round achievements and spectacular growth and having been crowned with Schedule 'A' status, your Company shines as an incredible example in the industry under the aegis of ONGC.

For and on behalf of the Board

(Sudhir Vasudeva)
Chairman

Place: New Delhi
Date: 8th August, 2013

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

i) VBU1 Flasher operation to Maximise VGO Yield.

ii) GOHDS Bleedgas routed to LPS Off gas line to recover hydrogen from Bleed gas.

iii) HCU2 ceramic coating of heater inner surface resulted in lesser Specific fuel Consumption.

iv) Online chemical cleaning of CDU1, VDU1, CDU2, VDU2 and VBU1 heaters to improve heater margins, which has resulted in increased capacity utilization & lesser specific fuel consumption.

v) Pentene optimization in Penex Feed in ISOM unit resulted in lesser energy consumption.

vi) Replacement of APH in CDU 2 resulted in lesser energy consumption.

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

i) Slop recycling provision with coalescer in CDU1 & VBU2 units.

ii) Feed Naptha Pre-heater in HGU1 and HGU2

iii) Hot diesel to GOHDS from CDU 1

iv) HHGO to VBU blender in CDU 1

v) Repair & Maintenance of steam lines insulation and steam traps.

vi) Steam Condensate Recovery in VBUI and HCU1 units.

c. The measures (a) above resulted in Energy consumption reduction by approx. 6400 MT/Year, equivalent to a net saving of approx. ₹ 25 Cr/year, with an investment of approximately ₹ 0.3 Cr.

d. Fuel & Loss in the Refinery for the year 2012-13 was 7.0%, whereas it was 6.75% in 2011-12. Higher fuel & loss was mainly on account of commissioning activities of Phase-III units and force majeure shutdown of the refinery during first quarter due to water crisis.

e. The Refinery achieved the Highest Crude processed with Energy index (MBTU/BBL/NRGF) of 61.01 for the year 2012-13.

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)
2012-13	14.403	4.895	61.01*
2011-12	12.818	5.487	57.92
2010-11	12.639	5.585	58.13
2009-10	12.497	5.371	58.27

*MBN higher due to higher fuel & loss and lower complexity operation.

FORM - A

Total Energy consumption and Energy consumption per unit of production:

A) Power and Fuel Consumption	Current Year 2012-13	Previous Year 2011-12
1. Electricity		
(a) Purchased		
Unit (Million KWH)	44.00	20.75
Total Amount (₹ Million)	262.86	118.99
Rate / Unit (₹ /KWH) *	5.97	5.73
* Includes demand charges of ₹30.59 Million (₹13.18 Million for 2011-12) The unit cost per KWH excluding Demand charges is ₹5.28 (₹5.10 for 2011-12)		
(b) Own Generation		
i) Through Diesel Generator (at Sarapady)		
Unit (Million KWH)	0.28	0.10
Unit per ltr. of Diesel (KWH/ltr.)	3.22	2.99
Cost / Unit (₹/KWH)	14.09	16.02
ii) Through Steam turbine generator		
Unit (Million KWH)	688.78	612.01
Unit per liter of Fuel Oil (KWH/ltr) *	1.76	1.99
Cost / Unit (₹/KWH) *	21.99	16.18
* Includes co generated Steam cost		
2. Fuel Oil		
Quantity (MT) (Oil + Gas)	887937	821224
Total Amount (₹ In Million)	35929.08	27649.37
Average Rate (₹/MT)	40463.55	33668.49
3. Others / Internal Generation		
Diesel (at Sarapady)		
Quantity (KL)	86.68	33.09
Total Cost (₹ Million)	3.94	1.59
Rate (₹/KL)	45416	47911
4. Consumption per unit production		
Total crude processed (TPA)	14402524	12817590
Total Fuel Consumed (TPA) (includes fuel and loss)	963900	865043
Total Electricity (Million KWH) (after deducting external supply)	732.78	632.76
Fuel Consumption, MT/ MT of Crude processed (%) (includes Fuel and Loss)	7.00	6.75
Electricity Consumption, KWH / MT of Crude processed	50.88	49.37

FORM - B

A) RESEARCH AND DEVELOPMENT (R&D)

1. **Specific Areas in which R&D carried out by the company 2012-13:**

   a) **Crude Assay**

   Crude Assay was carried out using TBP apparatus for the following new crudes:

   Hungo, Zafiro, Rabi and Laven blend

   b) **Experiment on Bitumen Emulsion:**

   Experiments were carried out to study the stability of Bitumen Emulsion with different emulsifiers and other cutter stocks.

   c) **Experiments on Method development using Ion Chromatography**

   Experiments were carried out on refinery sour water, effluent samples and amine samples and develop methodology for the determination of amine and ammonia content by using Ion chromatography.

   d) **Additives & Bio-Diesel Evaluation**

   Additives and Bio-diesel were evaluated for improving the Diesel Lubricity.

   e) **Ground water Analysis**

   Experiments were carried out to assess the trace metal levels in ground water samples collected from bore-wells in and around MRPL.

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

   a) Assay of various crude helped Operation to optimize unit-operating conditions to maximize product yield and product quality.

   b) Experiments on Bitumen Emulsion helped to make value added products form Bitumen.

   c) Additive evaluation helped operation units to optimize the dosage levels and explore the possibilities of using Bio-diesel as diesel performance improving additives.

3. **Future plan of Action:**

   a. To develop a stable formulation for Bitumen Emulsion.

   b. To study and develop an effective oxidative degradation of spent caustic for odour and phenol control in spent caustic treatment.

   c. Study on FCC catalyst.

4. **Expenditure on R&D:**

   » **Capital:** Nil

   » **Recurring:** ₹ 0.5 Cr.

   » **Total:** ₹ 0.5 Cr.

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) CDU1 unit has been revamped with pre-flash column to enhance unit capacity from 3.69 to 4.8 MMTPA without changing the furnace capacity. The revamped unit was commissioned in October, 2011.

   c) HCU1& HCU2 units have been revamped, for enabling once-through mode operation to feed upcoming PFCC unit in Phase - III and were re-commissioned in October, 2011 and April, 2012 respectively.

   d) Gas Oil Hydro-desulfurisation unit capacity revamp completed which increased plant capacity by 30% during April, 2009.

   e) As part of Phase - III expansion projects, CDU3 Commissioned in April, 2012, HGU3 commissioned in July, 2012 and DHDT commissioned in November, 2012.

ii) Benefits derived as a result of the above efforts viz., product improvement, cost reduction, product development, import substitution, etc.

   Refinery throughput sustained at 14.403 MMTPA while meeting Clean Fuel specifications, which required higher complexity operations.

   GOHDS unit capacity revamp has improved the Refinery capability of producing Euro – III & 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**

   GOHDS unit capacity revamp, HCU-1 & HCU-2 revamp to once-through mode

   b) **Year of import**

   2008-09, 2011-12 & 2012-13.

   c) **Has technology been fully absorbed?**

   GOHDS unit technology is fully absorbed.

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

   HCU-1&2 units are revamped to once through mode for feeding to PFCC unit. As the PFCC unit commissioning is expected during 3rd quarter of 2013-14, during which time HCU- 1 & 2 units operation in once through mode will be taken up.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO (₹ In Cr)

	2012- 2013	2011- 2012
Foreign Exchange Earnings – FOB value of exports	32,180	23,418
Foreign Exchange Outgo	56,137	47,806

ANNEXURE - II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Economy Overview

The aftershocks of the 2008-09 global financial crises continued all through 2012-13. Consequently, investments declined, demand became sluggish, and employment rates stayed low. The cumulative effect of all these pulled down the global GDP growth from 4% in 2011 to almost 3% in 2012 and understandably the growth rate of emerging and developing economies dropped to 5.5% in 2012 vis a vis 6.4% in 2011.

Indian economy was not insulated from this global slowdown and its ill effects. Inflationary pressures and subdued investment climate led to a sharp decline in the country's GDP from 6.2% in 2011-12 to around 5% in 2012-13.

It is a matter of deep concern that the value of the Indian Rupee has been depreciating over the past three years from ₹ 45 to a dollar to ₹ 60 a dollar. The Rupee hit an all-time low against the dollar, seriously impacting the Indian economy already riddled with multiple problems including balance of payment position.

The fall in Rupee value continues to loom ominously over the recent gains in inflation and badly needed capital flows. Weaker Rupee causes capital imports to be almost prohibitively expensive, forcing Corporates to delay investments. Besides the spiraling fuel price and inflation dampens consumer sentiment. Therefore, it is surmised that the outlook of Indian economy may continue to be under stress in near future.

2. Industry Overview

The Total Refining Capacity of India has grown from 187 MMT in 2011 to 215 MMT in 2013 and is expected to touch 240 MMT by 2014.

The GRMs of most domestic refineries were subdued in 2012-13 in line with the depressed international refining margins due to lower crack spreads, light/ sweet and heavy/sour crude differentials remaining weak and high inventory losses resulting from sharp fall in crude oil prices. The GRMs improved in the second quarter of FY 2012-13 with cracks improving in line with rising in crude oil and product prices caused by unanticipated temporary outages in international refineries. The price differential between 'light-sweet' and 'heavy-sour' crude oil ruled below historical levels in 2012-13 which further exerted a downward pressure on the GRMs of complex refineries.

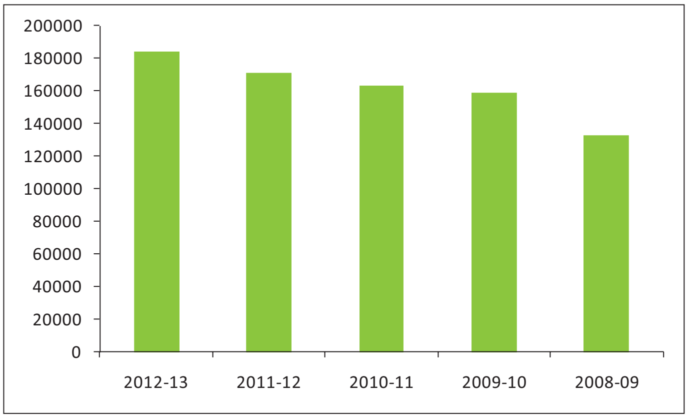
The forecast is that the global supply of petroleum products is likely to outstrip demand growth. Going forward, the outlook on international refining margins remain weak due to the scale at which planned capacity additions are underway which in turn will exceed demand growth for petroleum products. Following an outlook of low international refining margins and moderate import-duty differentials between petroleum products and crude oil, GRMs of domestic refineries are also expected to remain weak over the medium term. The operational results will continue to be impacted by the volatility in Indian Rupee Value and Crude prices determining inventory gains/losses.

Crude Imports by India:

Over the years, crude oil import has been growing due to increased refining capacities. This upward trend is expected to continue as there is stagnation in the domestic production and new discoveries.

India imported 185 MMT crude during the year 2012-2013 compared to 172 MMT in 2011-12.

Crude Imports by India **('000 MT)**



International crude oil prices have been on a roller-coaster ride over the past few years owing to geo-political turmoil in Middle East and African countries. Brent and Dubai crude oil average price in 2010-11 were $87 and $84 per barrel, respectively which climbed by more than 30% to $115 & $110 per barrel, respectively in 2011-12. During 2012-13, oil prices fell by 3-4% with Brent Crude oil at $110 per barrel and Dubai at $ 107 per barrel. Presently, Brent and Dubai crude oil prices are hovering at around $108 & $104 per barrel, respectively.

India's consumption & production pattern of petroleum products during 2012-13

('000 MT)

PRODUCT	Consumption		Production	
	2012-13	2011-12	2012-13	2011-12
LPG	15603	15367	9830	9554
MS	15741	14993	30120	27207
Naphtha	12283	11188	18851	18707
ATF	5271	5536	10189	10061
SKO	7501	8229	8057	8019
HSD	69164	64753	91090	82929
Total	**125563**	**120066**	**168137**	**156477**

The consumption of diesel in our country has been on the increase due to availability of subsidy as compared to motor spirit. Such changes in consumption pattern shifts demand from light distillates to middle distillates.

Consumption & Production of petroleum products during 2012-13.

('000 MT)