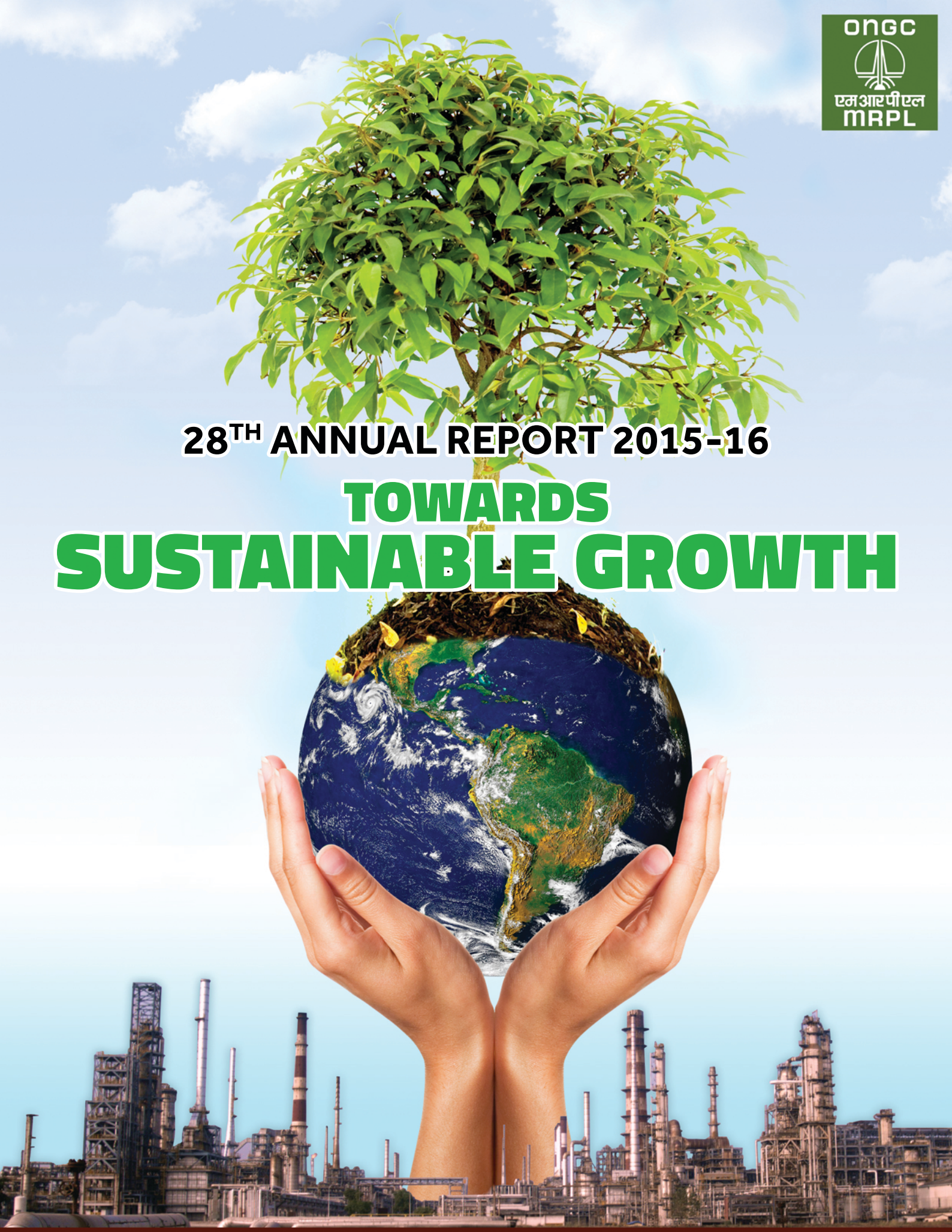
ONGC
एमआरपीएल
MRPL

28TH ANNUAL REPORT 2015-16

TOWARDS SUSTAINABLE GROWTH



MANGALORE REFINERY AND PETROCHEMICALS LIMITED

(A Govt. of India Enterprise and a subsidiary of ONGC Ltd.)

www.mrpl.co.in

Mangalore Refinery And Petrochemicals Limited

(A Government of India Enterprise and Subsidiary of ONGC)

CIN : L85110KA1988GOI008959

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COMPANY SECRETARY

Shri Dinesh Mishra

JOINT STATUTORY AUDITORS

M/s. A. Raghavendra Rao & Associates,
Chartered Accountants, Mangaluru
M/s. Sreedhar, Suresh & Rajagopalan,
Chartered Accountants, Chennai

COST AUDITORS

M/s Bandyopadhyaya Bhaumik & Co,
Cost Accountants, Kolkata

SECRETARIAL AUDITORS

M/s Ullas Kumar Melinamogaru & Associates,
Company Secretaries, Mangaluru

INTERNAL AUDITORS

M/s K Varghese and Co., Chartered Accountants,
Ernakulam.

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.

SOLICITORS & ADVOCATES

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

REGISTERED OFFICE AND INVESTOR RELATION CELL

Mudapadav, Post Kuthethoor, Via Katipalla
Mangaluru- 575030, Karnataka
Tel. No.: 0824-2270400 Fax No.: 0824-2273300

INVESTOR RELATION CELL:

DELHI :

LGF, Mercantile House
15, K.G. Marg, New Delhi – 110001
Tel : 011-23463100 Fax : 011-23463201

MUMBAI :

Maker Towers, ' E ' Wing, 15th Floor,
Cuffe Parade, Mumbai - 400005
Tel : 022-22173000 Fax : 022-22173233

BENGALURU:

Plot A-1, Opp KSSIDC A.O. Building, Industrial Estate
Rajajinagar, Bengaluru – 560010 (Karnataka)
Tel : 080-22642200 Fax : 080-23505501

REGISTRARS & SHARE TRANSFER AGENT

M/s. LINK INTIME INDIA PVT.LTD
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

BOARD OF DIRECTORS

Shri D. K. Saraff
Chairman

Shri H. Kumar
Managing Director

Shri M Venkatesh
Director (Refinery)

Shri A. K. Sahoo
Director (Finance)

Shri. B.K. Namdeo
Director (HPCL Nominee)

Smt. Perin Devi
Govt. Director

Shri Diwakar Nath Misra
Govt. Director

Chairman's Message to Stakeholders

Dear Stakeholder,

It gives me immense pleasure to share my views with our valued stakeholders and present the 28th Annual Report for the year 2015-16.

As you are aware, that the global oil and gas industry is in the midst of one of the severest downturns in last few decades. Industry revenues have fallen with eroding returns from falling commodity prices driven by a global oversupply of oil and natural gas and the impact of higher industry debt levels. The rapid collapse in crude and commodity prices in 2014-15 continued to reverberate in 2015-16 also, affecting the energy economy. Amongst the major economies, India continues to be a bright spot with its economy growing at a healthy rate of 7.6% in 2015-16 supported by push in the reforms process, good performance of goods and services sector and macro-economic stability.

Despite the volatility in the global market, we remained committed in managing business risk and protecting stakeholder's interest. Our consistent focus has been on improving operational efficiencies in refining and marketing activities and adopting innovative measures and initiatives to consolidate our position in the refining and petrochemical business.

I am delighted to share that your Company has achieved a positive financial and operational performance. During the year 2015-16, MRPL processed 15.53 MMT of crude oil corresponding to 103.5% of capacity utilization, which was possible by ensuring that all our phase-III units operated in full capacities.

MRPL has achieved a turnover of ₹50,864 crore and earned a net profit of ₹1148.16 crore during 2015-16 after setting off losses of the first three quaters of the financial year.

Amidst increased completion in the market, we are riding on the strength of continuously expanding our market spread in the direct sales segment of petroleum products in the states of Karnataka, Kerala and few other states also. MRPL has been successful in gaining significant market share and enhancing direct customer base for products such as Bitumen, Fuel Oil, Sulphur, Diesel, Petcoke and mixed Xylene in its refinery zone.

Your company has inherent core values ingrained in its fabric of being an ethical and reliable partner. With the positive outlook for the Indian economy and increasing demand in the transportation sector, we have drawn up ambitious plans for consolidating our retail business. We are optimistic of setting up sizable number of retail outlets in near future.

In the petrochemical business, with a view to extract maximum value from every molecule, the Poly-propylene plant of MRPL was commissioned in June 2015 and dedicated to the nation by Honorable Minister for Petroleum & Natural Gas, Shri Dharmendra Pradhan. The company has been successful in establishing itself as a dominant player in the polypropylene market in the south zone by achieving excellent sales performance of its polypropylene supplies.

India is witnessing strong economic growth led by consumption and in line with the expansion of the economy, domestic demand for energy is also expected to increase. MRPL has aligned itself with such growth trends and has planned various projects for creating infrastructure which will facilitate logistics value additions and profitability improvements. The details of various projects are placed in the Board's Report. I am happy to share with you that Government of Karnataka

has allocated 1050 acres of land adjoining to the existing refinery for upcoming projects of your Company.

MRPL has been supplying it entire quantity of Diesel and Petrol in the Bharat-IV grade to the domestic market. Improvement in the quality of fuel helps us in improving the environment and reducing pollution. Your Company in line with the directives of the Government has drawn up the required plans for implementing upgradation projects to produce BS VI grade of fuels by 2020.

MRPL had acquired majority stake in ONGC Mangalore Petrochemicals Limited (OMPL) and the process for complete merger of OMPL with MRPL is in progress. The subsidiary of your Company, OMPL, during the financial year has achieved the turnover of ₹4188.87 crore. The merger of OMPL with your Company will be a world class Integrated Refinery and Petrochemical complex.

Your Company has established itself as a valuable and responsible corporate citizen and remains committed for the inclusive growth of society and community through its various Corporate Social Responsibility / Sustainable Development initiatives. We have been committed in supporting projects for eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environmental sustainability, disaster relief and rural development projects.

Under Swach Bharath Abhiyan programme of Government of India, MRPL has taken up construction of 54 toilets in 31 Government and Government Aided Schools in the State of Karnataka at a cost of ₹1.85 crores. MRPL has associated with Ramakrishna Mutt, Mangalore in their 40 week long "Swach Mangaluru" Abhiyan project with a financial assistance of ₹14 lacs. MRPL has also undertaken a number of cleaning activities in and around the refinery alongwith Employees, Dependants and MRPL DPS students.

Safety receives the highest attention from all levels of Management and continues to be a top priority for your company. MRPL has remained committed in providing a safe workplace to its employees and contractor, for safety of communities living in the vicinity of the refinery and safeguarding the environment.

Due emphasis is being given for green and low carbon growth, vigorously implementing energy-saving, emission reduction, clean energy development projects. The Company plans to generate solar energy as a part of its alternate energy drive which will also help in meeting its renewable energy commitments.

We are consolidating our position in potential hydrocarbon value chain optimization avenues for sustainable development. We are focused on value creation from low value hydrocarbons, such as pet-coke, refinery offgas and internal fuel oil. Efforts are on the anvil to exploit such potentials.

Your Company believes that human resources are most valuable resources for achieving and accomplishing the expectations of the stakeholders. MRPL is fortunate to have a dedicated team who are passionate about their work and the company ensures that it continues to nurture them by providing them a good working environment, with equal emphasis on employee welfare and employee relation initiatives. An Advanced Strategic Leadership Program (ASLP), named "Project Uttisht" in collaboration with IIM Udaipur was undertaken to train 100 middle and senior level executives of the Company during the year.

Going forward, I am convinced that MRPL with the support of its stakeholders will be able to address the challenges, forging ahead with greater strength to create sustained value for our shareholders, society and our Nation.

I would like to place on record my sincere appreciation to the Board of Directors, Ministry of Petroleum & Natural Gas, Government of India, State Government of Karnataka for their continued guidance. I would also like to express my gratitude to all our employees and all the stakeholders for their continued support, patronage, trust and confidence.

(D.K.Sarraf)
Chairman

Place: New Delhi
Date: 03/08/2016

View of the Refinery

Shri H. Kumar, Managing Director (MRPL) receiving "NIRYAT SHREE" award from Hon'ble President of India.

World environment day - Creation of green belt - Plantation of saplings by team MRPL.

Tree Plantation Ceremony in the presence of local panchayat leaders.

Lady Goschen Hospital, Mangalore – 5 story block from MRPL "AROGYA SAMRAKSHAN", CSR initiative, work in progress.

Team MRPL - receiving 1st price (TOLIC) for outstanding performance in the area of Hindi implementation.

Construction of Toilet at Schools, "SWACCHA VIDYALAYA ABHIYAAN", CSR initiative MRPL.

BOARD'S REPORT

Dear Members,

I, on behalf of the Board of Directors of your Company, am pleased to share with you and report the highlights, affairs and developments, your Company has made during the financial year ended March 31, 2016 and present the 28th Annual Report on the business and operations of Mangalore Refinery and Petrochemicals Limited (MRPL) and its audited financial statements together with the Auditors' Report and comments on the Accounts by the Comptroller and Auditor General (C&AG) of India. You will be delighted to know that your Company commissioned all the Units under Phase – III refinery expansion project during the year and registered the highest ever throughput of 15.53 MMT.

Financial Performance

The standalone / consolidated financial highlights for the year ended 31/03/2016 are summarized below:

(₹ In Crores)

	Standalone		Consolidated	
	Year ended 31st March, 2016	Year ended 31st March, 2015	Year ended 31st March, 2016	Year ended 31st March, 2015
Turnover (Gross)	50864	62412	50983	62341
Earnings before Interest, Tax Depreciation and Amortization (EBIDTA)	2464	(1250)	2386	(1325)
Profit/(Loss) Before Tax	1174	(2156)	306	(2295)
Profit/ (Loss) after Tax, Minority Interest and share of profit/ (Loss) of associates.	1148	(1712)	710	(1803)

Your company achieved turnover of ₹ 50864 crore during the financial year 2015-16 against ₹ 62412 crore during the financial year 2014-15. The decrease in sales is mainly on account of decline in product prices linked with declining crude price as also on account of more domestic off take. The Company earned a profit of after tax (PAT) of ₹ 1148 crore during the financial year 2015-16 against a loss of ₹ (1712) crore incurred during the financial year 2014-15. The Gross Refining Margin (GRM) for financial year 2015-16 was 5.20$/bbl as against (0.64) $/bbl during the financial year 2014-15.Your Company has retained its highest corporate rating "[CCR AAA]" affirmed by CRISIL and IrAAA by ICRA during the FY 2015-16.

OPERATIONAL PERFORMANCE

The financial year 2015-16 has been a very successful year for your Company. During the year, the Company's refinery processed 15.53 MMT of crude achieving an average utilization rate of 103.5% as against 14.63 MMT during the financial year 2014-15. During the year, the Company achieved highest ever production and dispatch of LPG, Diesel, Coke and Throughput in MBPL pipeline.

The Company has achieved direct sales of 1470 TMT against 820 TMT during 2014-15 and retail sales of 4.8 TMT against 2.53 TMT during 2014-15.

MARKETING AND BUSINESS DEVELOPMENT

Your Company has successfully penetrated the Polypropylene market in a short span of 9 months with a sales volume of 139 TMT and sales value of ₹ 1039 Crores. The company is in the process of expanding its markets reach in order to sell 440 TMT of Polypropylene per year. In addition, your Company is also setting up its own infrastructure for storage of Polypropylene. To leverage the highly profitable Polypropylene and to position MRPL as a niche market player, comprehensive pricing of various grades of Polypropylene has been put in place along with customer enrolment activity. Del Credere Agents cum Consignment Stockist has been appointed to partner us in addressing major demand clusters in the South and West of India.

Your Company has also succeeded in marketing the entire production of Petcoke on consistent basis. Company evacuated additional quantity of Sulphur in domestic as well as export market. The Company has achieved major breakthrough for bulk evacuation of Pet-coke and Sulphur by forging alliances with large Industrial houses which, in turn has helped the Delayed Coker Unit to run at 100 percent capacity utilization from 50 percent earlier. This has significantly increased specialty sales and improved Refinery margins.

Your company continues to expand its market spread in the direct sales segment of petroleum products in the state of Karnataka and its adjoining states and has maintained significant market share and direct customer relations for products such as Bitumen, Fuel Oil, Sulphur, Diesel, Naphtha, Petcoke and Mixed Xylene in its refinery zone.

Your company has also maintained timely supplies to State Trading Corporation, Mauritius which has a long term supply contract with MRPL. The company supplied 1067 TMT of petroleum products to STC Mauritius at a sales value of ₹ 2774 Crores during FY 2015-16 against supply of 1084 TMT and sales value of ₹ 4394 Crores in FY 2014-15.

After deregulation of HSD pricing, your company has commenced the retail expansion plan by releasing the advertisement for appointment of dealers for retail outlets in the state of Karnataka & Kerala. The company is expecting to commission a sizeable number of retail outlets during FY 2016-17.

RECOGNITIONS

During the year, the Company has been conferred with following awards and recognitions :

- 'Niryat Shree' Gold Trophy in the Residual sector for Non MSME category by Federation of Import Export Organization (FIEO). MD, MRPL received the award from Hon'ble President of India on 4th May, 2016 in a glittering ceremony held at Vigyan Bhawan, New Delhi.

- "Export Excellence Award, 2015" in Best Exporter Award (Medium/large category) from the Federation of Karnataka Chamber of Commerce and Industry.
- Certificate of recognition of 'Highest Ever Central Excise Duty payment and Incremental growth'
- First prize for outstanding performance in the area of Hindi Implementation for the year 2015-16 for fifth consecutive year by TOLIC, Mangalore.

PROJECTS

After successful commissioning of the Phase-III major units such as Delayed Coker Unit, Petrochemical grade Fluidised Catalytic Cracking Unit (PFCCU), Diesel Hydro treating Unit and the latest Polypropylene Unit, MRPL's product base has expanded to include Pet coke, Ultra Low sulfur Diesel and Polypropylene. MRPL is establishing value partners to expand market base and partner sustainable growth. MRPL has already initiated actions for upgrading the MS & HSD qualities to meet BS VI specifications which will come into force from April 2020. Further incremental optimizations such as flare gas recovery, energy optimizations activities have also been pursued.

A. COMPLETED PROJECTS

Phase - III Refinery Project

All the units of the Phase III Refinery capacity expansion and up gradation project and the last unit PFCCU which was commissioned in August, 2014 are running at full capacities today. This has resulted in complete conversion of HSD and Petrol to Euro 4 grades, increased the distillate yield with production of high value products viz Propylene, Gasoline from low value black oils. The total expenditure incurred by your Company on Phase –III Refinery project is around ₹ 13265 Crore as on 31/03/2016.

Polypropylene Project (PP)

Polypropylene unit of Capacity 440 KTPA, (Licensor Technology from M/s Lummus Novolen Technology GmbH, Germany) integrated with Phase -III Refinery Project was commissioned successfully on 17/06/2015. Commercial production has started and was dedicated to the Nation by Shri Dharmendra Pradhan, Hon'ble Petroleum and Natural Gas Minister. The total expenditure incurred by your Company on Polypropylene project is around ₹ 1611 Crore as on 31/03/2016. The various grades of Polypropylene produced by the unit were received well in the market and was able to capture substantial market share in south zone in a short period.

B) ONGOING PROJECTS

Following new projects are being taken up for better logistics, value addition and profitability improvement :

(a) Railway Siding – A state of the art Railway siding for smooth evacuation of Petcoke and Polypropylene.

(b) Revamp of CCR2 – The existing CCR-2 unit is being revamped to produce greater quantity of Reformate, yielding greater quantity of MS.

(c) Relocation of loading facilities & additional tankages –This project will provide greater flexibility to your company and allow for greater marketing outreach.

(d) Flare Gas Recovery System – This project recovers gases that are lost from the flare and utilize it as fuel, thereby saving cost. This also helps to reduce the Carbon footprint of your company by reducing greenhouse gas emissions.

(e) Additional Petcoke Silos for marketing – This facility allows your company to attain greater flexibility in marketing of Pet-Coke and to mitigate environmental impact of concentrated loading.

HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

Your Company is committed to ensure environmental friendly operations to achieve highest standards of environmental excellence. MRPL continues to leverage environment and sustainable development as an ingredient of its business policies and strategic plans. The major actions taken in 2015-16 on this front includes the following:

- Audit of New Mangalore Port jetties for oil spill management by Oil Industry Safety Directorate (OISD).
- SOx & NOx Stack Online Analyzer data of Phase – III units connected to CPCB server in the month of June, 2015.
- Periodic Manual Stack Monitoring is being carried out by MoEF/KSPCB approved external agency.
- Ambient Air Quality Monitoring is carried out by MoEF/ KSPCB approved external agency in and around the refinery at 9 locations as per revised National Ambient Air Quality Monitoring Standards.
- Environment Awareness Programs are being organized periodically in the neighboring villages in association with Karnataka State Pollution Control Board.
- Continuous Online Monitoring Analyzers are being installed to monitor Treated Effluents for various parameters in line with the directions of Central Pollution Control Board (CPCB).
- Treated effluents are monitored on a daily basis at both Refinery end & at discharge end. A Fortnightly Marine Environment Impact Assessment study was carried out by M/s. Central Marine Fisheries Research Institute, Mangalore from 7 monitoring locations in the vicinity of Treated effluent disposal point at sea & 3 Stations in the seashore. So far, no adverse effect on the marine environment, was found.
- Ten Nos. of 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 Karnataka State Pollution Control Board (KSPCB).
- Low sulphur Fuel oil being used in the Refinery furnaces and boilers. Usage of ultra low sulphur fuel gas generated in the refinery process units is also being maximized.
- Sulphur Recovery Units (SRUs) are operated at efficiency greater than 99%.
- Annual Submarine pipeline inspection has also been carried out by M/s. National Institute of Oceanography (NIO).
- The refinery is certified with ISO 14001: 2004 for Environment Management Systems by TUV Rheinland.