MANGALORE REFINERY AND PETROCHEMICALS LIMITED
26th ANNUAL GENERAL MEETING
CHAIRMAN'S SPEECH
13th September, 2014; Mangalore

Dear Members,
I have great pleasure in welcoming each one of you to the 26th Annual General Meeting of your Company.

I am also delighted to share with you that your Company is growing from strength to strength, notching benchmarks in the Indian Oil Industry across indices in production, turnover, capacity utilization, environment care, project implementation and quality management process. You would be happy to know that the Phase-III project envisioned by your Company with a capital expenditure of ₹15,000 Crore is nearing completion; all units other than Polypropylene (PP) Unit have been commissioned. PP Unit is expected to be commissioned by end of 2014.

The 26th Annual Report containing AGM Notice and Directorsô Report for the financial year 2013-14 along with the audited financial statements was sent to all the members by permitted mode. With your permission, I would like to take the Annual Report as read. An unqualified report from the Statutory Auditors and óNil commentsô from the C&AG for the 12th year in a row is the benchmark in itself and I compliment Team Finance from MRPL for this achievement.

Highlights
Now let me brief some of the highlights of your Companyôs performance during the financial year 2013-14:

- Your Company has processed highest-ever crude at 14.59 Million Metric Tonne (MMT)
- Your Company has posted the highest-ever Turnover of ₹ 75,226 Crore
- Your Company earned a Profit After Tax (PAT) of ₹ 601 Crore against the loss of ₹ 757 Crore incurred in the previous year 2012-13.
- Your Company has been upgraded to Schedule óAô CPSE status from Schedule óBô with effect from 4th July, 2013 by the Department of Public Enterprises (DPE).

The Economy
The global economy, in the previous fiscal, showed encouraging signs of turnaround from its recessionary mood, driven by positive news from the developed markets with the US and Eurozone registering an improvement in key macro-economic parameters such as industrial productivity, GDP growth and job creation. While the recovery in Europe is still moderate, the same in US, particularly, has picked up impressively from the latter half of 2013 with the economy growing at over 3 percent. However, the positive sentiment centering on the improved outlook of the global economy was restrained by the worrying slowdown among the block of emerging economies as they continue to be affected by lean overall global demand, prospects of withdrawal of quantitative easing in US and weakening domestic currencies.

India, for the second year in succession, endured an underwhelming economic climate with GDP growth, for FY 2013-14, once again coming in at below 5 percent, 4.7 percent to be precise. The domestic economy was majorly affected by the depreciation of the Rupee, which in combination with the countryôs ever growing imports took a serious toll on the countryôs trade

balances. Inflationary pressures also compounded matters further with the fiscal balance situation. However, of late, in 2014, the conditions have become markedly better with the domestic currency finding some improved exchange rates- in the range of Rs 60/ USD, and greater inflow of institutional investments into the domestic markets. Various initiatives by the new regime and its focused approach towards delivery and growth has resulted into the current optimism.

The Industry

Globally, in the oil & gas industry, despite continuing geopolitical uncertainties in some of the critical oil & gas zones, the market remain well supplied with the surge in North American oil and gas volumes offsetting any major disruptions. World oil demand increased by 1.3 mbpd in 2013 to the level of 91.4 mbpd, driven mainly by the combined effects of a growing world population and rising per capita income levels in the developing countries.

Global crude prices (Brent) averaged around $107/bbl in 2013-14 compared $110/bbl in 2012-13. But, crude prices, in 2014, have been subjected to substantial volatility. Prices have now cooled off significantly to around $100/bbl and below $100/ bbl in recent days, after having spiraled to $115/bbl in mid-June, 2014.

In India, crude oil price of the Indian basket averaged US$ 105.52 per barrel during FY 2013-14 compared to US$ 107.97 per barrel during FY 2012-13. However, trend of petroleum products consumption in FY 2013-14 was muted. With a total consumption of 158.20 MMT, the petroleum industry registered a volume growth of just 0.7 percent, the lowest it has grown in the past 12 years. The sub-optimal growth can largely be attributed to the weakening domestic demand and the fall in industrial output. Barring LPG, MS, ATF and Petcoke, consumption of all other major products declined during the year. Despite the drop in products consumption, total crude oil import for FY 2013-14 was 189.24 MMT, higher by over 2 percent over FY 2012-13. Against an installed refining capacity of 215 MMT as on 1st April 2014, the total throughput of the domestic refining sector for FY 2013-14 was 222.4 MMT, signifying a capacity utilization of 103.4 percent, whereas the same in FY 2012-13 was 101.7 percent.

Due to highly volatile markets and fluctuating crude prices, world over, refiners are finding it increasingly difficult to maintain good GRM. In fact, the benchmark Singapore GRM had recorded 5.62 USD/ bbl in FY 2013-14 compared to 7.74 in FY 2012-13. Comparatively most of the Indian refineries including MRPL clocked better GRM in FY 2013-14 compared to the previous fiscal.

Operational Performance

Your Company, MRPL, besides achieving highest-ever crude throughput of 14.59 MMT during the financial year, compared to 14.41 MMT during the previous financial year 2012-13, has also achieved the Energy index of 60.88 MBN (MBTU/BBL/NRGF) during the year 2013-14 which was 61.01 during the year 2012-13.

The GRM of MRPL, which is already under pressure due to several reasons, improved from 2.45 USD/ bbl in 2012-13 to 2.67 USD/ bbl in 2013-14.

GRM and energy efficiency of the refinery are expected to improve once the commissioning of remaining unit is completed and the refinery starts stable operation. Management has also initiated several steps to further improve GRM and energy efficiency.

Your Company has achieved highest-ever export turnover of ₹35,392 Crore during the financial year 2013-14. State Trading Corporation (STC) of Mauritius continues to be a valued customer of various petroleum products of MRPL.

Though your Company made profit in 2013-14, in view of the losses during the financial year 2012-13, working capital requirement and large capital expenditure on projects, the Board of Directors of your Company has not recommended any dividend. However, it is hoped that the growth of your Company fueled by Phase III commissioning and further expansion plans, would yield returns to the stakeholders to meet their expectations.

Due to strong financial strength of your Company, ICRA and CRISIL have reaffirmed highest credit ratings to your Company indicating a very strong degree of safety regarding timely honoring debt obligations as detailed in the Directorsô Report.

Your Company has won several awards and accolades during the financial year 2013-14. Some of these are:

i) Petrofed ñRefinery of the Year-2012ò Award for its commendable performance in production and operational efficiencies while adhering to the norms of health, safety and environment protection. This is the second time that your Company has been conferred with this award.
ii) ñExport Excellence Award, 2013ò in Best Manufacturer / Exporter (large category) ï Gold - from the Federation of Karnataka Chamber of Commerce and Industry
iii) ñState Export Excellence Awardò for 2012-13 & 2011-12 Medium/Large category ï Gold & Platinum respectively by Government of Karnataka
iv) ñBest Fuel Efficient Boiler Operationò award by the Department of Factories and Boilers, Govt of Karnataka, on the occasion of 43rd National Safety Day celebration.
v) First prize for outstanding performance in Hindi Implementation for the year 2012-13 by Town Official Language Committee (TOLIC), Mangalore
vi) First prize in the Jawaharlal Nehru Centenary awards for energy performance for the year 2011-12 & 2012-13 under the Refineries category having refinery Nelson complexity of 6.0.

Now let me share the status of various projects undertaken by your Company.

Phase -III Refinery Upgradation and Expansion Project:

The commissioning of Secondary Process Units of Phase -III Refinery Upgradation and Expansion project is almost completed.

Crude Distillation Unit (CDU), Hydrogen Generation Unit (HGU) and Diesel Hydrotreater Unit (DHTU) were commissioned during 2012-13. During the year 2013-14, your Company successfully commissioned Delayed Coker Unit (DCU), first train of Sulphur Recovery Unit (SRU) in April 2014, Coker Gasoil Hydro Treating Unit (CHTU) in May 2014, Second Train of SRU in July 2014 and Petrochemical Fluidized Catalytic Cracker Unit (PFCCU) in August 2014.

The total expenditure incurred by your Company on Phase ï III Refinery Upgradation and Expansion project is around ₹ 12,078 Crore as on 31st August, 2014.

Polypropylene Project (PP):

The Polypropylene (PP) unit, being set up with the licensor Novelene Technology, Germany in integration with the Phase -III Project at an estimated Capex of ₹ 1,804 Crore, has achieved the overall progress of 96.6 % as on 31st August, 2014.

Certain external issues have resulted in shifting the location of the unit causing delay in the site work and environmental clearance. The project is expected to be complete by December 2014, marking a new era for your Company in petrochemical segment.

Single Point Mooring (SPM) Project:

Your Company has successfully commissioned Single Point Mooring facility along with coastal booster pumping station within the Port limits at a location of 16 Kilometer from the shore having the draft availability of 30 M for handling Very Large Crude Carrier (VLCC) tankers at an estimated cost of ₹ 1,044 Crore. The SPM was successfully commissioned on 29th August, 2013.

This facility will enable the Company to receive crude in Suez max / VLCC vessels, which in turn will improve freight economics and also allow access to West African and Latin American countries for sourcing crudes. This facility will also de-congest existing berth facility at New Mangalore Port and reduce the incidence of demurrage.

Refinery Performance Improvement Programme (RPIP):

Your Company has taken up Refinery Performance Improvement Programme (RPIP) through Shell Global Solutions International B.V. (SGSI) under the auspices of Centre for High Technology (CHT), Ministry of Petroleum and Natural Gas (MoP&NG), Government of India.

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 recommendations are under various stages of implementation.

Corporate Social Responsibility (CSR) Initiatives:

Your Company believes that businesses that address the needs and aspirations of consumers as well as social and environmental challenges will thrive in the long term. This is the cornerstone to being future ready. The CSR objective of your Company, in line with DPE guidelines, is promoted under the name of ñSAMRAKSHANò and is committed to ñbringing smiles to livesò of the deserving and the underprivileged in the catchment area of the Refinery. This captures the spirit and commitment to ñprotect, preserve and promote the social, cultural and environmental heritage and wealth in and around the area of our business and to usher in sustainable developmentò.

Risks & Concerns:

Your Company operates in a business environment, which has its own sets of risks and concerns. The two primary factors that impact the price of oil are supply & demand and market sentiments.

Refineries are susceptible to the supply chain risk. Your Company has been continuously making efforts for diversifying the sources of procurement of crude by adding additional countries as well as grades of crude to mitigate the risk of timely supply of crude oil for smooth production and to avoid shortage of crude which may result in reduced throughput. MRPL has term contracts for procurement of crude with various suppliers from different countries. MRPL also has supply agreement with ONGC for procurement of crude from its various oil fields like Mumbai High, Ravva etc. at armsô length basis.

To mitigate price risks, MRPL enters into long-term contracts as well as operates in open international markets to source crude oil at competitive prices. Your Company has prepared rolling plan months ahead to identify any changes in the profile of price risk and supply risk, and takes appropriate action on a timely basis. Other approaches to drive down costs include an increase in refining of cheaper crudes and use of blending technology to improve the product slate.

There is a pressure on Gross Refinery Margins (GRM) due to Fuel Oil and Naphtha exports. Surplus volume of Fuel Oil and Naphtha after meeting domestic demand is being exported. However, with the Delayed Coker Unit (DCU) in place, Fuel Oil export would be reduced as it will be processed in DCU to produce products having higher realization value.

Directors:

Shri P.P. Upadhya, superannuated from the services of the Company on 31st July, 2014. On behalf of the Board, I wish to place on record our sincere appreciation for the valuable service rendered by Shri P.P. Upadhya during his tenure as Managing Director on the Board of your Company. Shri H. Kumar has taken over as the Managing Director on 14th August, 2014.

Acknowledgements:

Before I conclude, on behalf of your Directors let me acknowledge the contribution of our stakeholders.

- I 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 Home Affairs and other Ministries and Departments of Central Government for their valuable supports and guidance.
- Our special thanks go to the Government of Karnataka and its various departments and agencies for their continued co-operation.
- I gratefully acknowledge the support provided by Oil and Natural Gas Corporation Limited, our parent company and Hindustan Petroleum Corporation Limited (HPCL). I acknowledge the continuing cooperation and support received from New Mangalore Port Trust, Financial Institutions, Banks, Investors and all other stakeholders such as customers, vendors, contractors, and transporters.
- I wish to sincerely thank all stakeholders and members for your continued confidence and unstinted support for your Company.
- On behalf of the Board, I wish to place on record its appreciation for the relentless efforts and dedicated contributions put in by all the employees individually and as the part of Team MRPL, to ensure your Companyôs growth and march towards excellence.

I am sure with the commitment of Team MRPL and with the continued support, patronage, trust and confidence of all the stakeholders, your Company will continue to grow, maintain a cordial community environment and thus contribute to the economic prosperity of our country.

Thank you.
Jai Hind!

Note:
Excerpts from the Chairmanôs speech at the 26th Annual General Meeting held on 13th September, 2014 at Mangalore.
This does not purport to be a record of the proceedings of the Annual General Meeting.