



## MANGALORE REFINERY AND PETROCHEMICALS LIMITED

### 35<sup>th</sup> ANNUAL GENERAL MEETING

#### CHAIRMAN'S SPEECH

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**Dear Shareholders,**

I am delighted to extend a very warm welcome to each one of you to the 35<sup>th</sup> Annual General Meeting of your Company. Thank you for joining us today.

The Annual Report for the accounting period ended 31<sup>st</sup> March 2023 containing AGM Notice, Board's Report for the financial year 2022-23 and the audited financial statements, have already been sent to all the members. With your consent, I take them as read.

It is a matter of pride that for the 21<sup>st</sup> successive year, your Company's audited annual accounts have "Nil" comments from the Comptroller and Auditor General of India.

Now, I shall briefly touch upon the broader environment that shaped the economy and industry in FY 2022-23, the performance of your Company and the business perspective.

#### **The Economy**

Year 2022 began promisingly with a post pandemic recovery aided by monetary and fiscal policies of Governments. However, it was marred

by geo-political tensions subsequently. The Russia-Ukraine crisis resulted in rising commodity prices, supply chain disruption and inflation. What initially appeared as a short conflict unexpectedly grew to become a long war. Major economies are undergoing structural correction and adjustments and the resulting spill overs are having a bearing on emerging markets and developing economies.

Global growth is forecasted to drop to 1.7 percent in 2023 before moderately picking up to 2.7 per cent in 2024 as some of the headwinds begin to subside.

India is expected to be an outlier in a year of deceleration in global economy. India's growth is expected to clock around 6% in FY 2023-24. India is expected to become the fourth largest economy in the world within the next two years. Investments will be the biggest growth drivers, primarily driven by the government sector capital spending. The government is working to ensure that job growth occurs sustainably through durable growth with focus on capex, which will help create more jobs, thus leading to a virtuous cycle of jobs, income, savings and investments. The advanced digital infrastructure of the country underpinned by favourable conditions for investments and energy transition are poised to take India higher.

### **Energy Industry**

The world is seeing the onset of an energy transition. However, against the backdrop of the Russia-Ukraine war, there is renewed focus on energy security while preparing for the transition. While climate change and its domino effect is known the balance between green energy and fossil fuels cannot be distorted by reckless actions. It is

imperative to ensure no underinvestment in oil and gas until the world has substantially and reliably transitioned to green energy.

The prediction for India is that our country needs investment in Oil and Gas until 2035 to cater to the energy demand as well as demand for petrochemicals. Energy demand in India is projected to grow at 3% per year with GDP growth of more than 7% in the present decade. Oil demand is expected to increase to 7 Million Barrels per day by 2030 from 5 Million barrels per day presently. India is diversifying clean energy generation with Bio Fuels and Green Hydrogen. Notwithstanding these efforts the oil demand is not expected to peak before 2035.

### **Performance**

FY 2022-23 was the first full year without COVID pandemic impact since FY 18-19. MRPL achieved the ever highest Crude Throughput at 17.12 MMT. With this achievement, MRPL became the largest PSU refinery (single location) in FY 2022-23. This was achieved at a specific energy consumption that was lower than previous best by 3.05%. A high utilization of fixed assets at least specific energy consumption is a consequence of meticulous planning across feed side supply chain, product side supply chain and operational and maintenance discipline on asset side. The efforts that were made in reliability to reduce unplanned downtime and increase turnaround length across units in the refinery have contributed to highest Refinery Capacity Utilization.

The fiscal 2022-23 for your Company was marked by a number of major achievements. I would like to place them before you:

- Your Company achieved a Turnover of ₹ 1,24,686 Crores and registered a profit of ₹ 2638 Crores. Gross Refining Margin (GRM) stood at 9.88 USD/bbl.

- The capacity utilization was 114% for the year which was the highest ever.
- Your Company is continuously diversifying its source of crude supplies to mitigate risk and seize on cost opportunities. During the year your Company processed new crudes such as ESPO, Kuwait Super Light, Khafji, CPC blend & Okwuibome.
- Record production was achieved in key products-LPG (1153 TMT), MS (2422 TMT), ATF (1921 TMT) and HSD (6581 TMT).
- Commissioning of new Retail Outlets increased the total no. of operational outlets to 63 and ever highest sales of 95000 KL was achieved during the year across all the outlets.
- The total domestic sale of all products during FY 2022-23 was 9.73 MMT with a gross sales value of ₹ 80,348 Crores.
- MRPL's JV Company Shell MRPL Aviation Fuel and Services Limited achieved a sales turnover of ₹ 1633 Crores in FY 2022-23 as against ₹ 673 Crores in the previous financial year.
- Your Company has achieved 1003 days without Reportable Lost Time Injuries (RLTI) as on 31.03.2023 translating to 14.67 million safe working man hours.

### **Business Outlook**

The physical performance of your Company in FY 22-23 was the best ever. The achievement in FY 22-23 was the result of judicious investments of the recent past including energy efficiency improvement modifications, additional utility infrastructure (desalination plant), unit debottlenecking(CCR-2), augmentation of marketing infrastructure (oil terminal and petcoke evacuation facility) besides regulation compliant project (BS-VI Project). The Company has

demonstrated its ability to deliver on demand. Record production numbers have been achieved during the year.

Your Company is rethinking refinery operations. Cost competitiveness and cost leadership is important in a challenging market and is a key aspect of MRPL's operational strategy. Energy Efficiency opportunities have been identified for implementation and these are expected to bring down the energy footprint of the company further. It aims to be prepared for the long term with the development of profit centres around fuel marketing and petrochemical production. The Company is expanding its marketing operations. Its polypropylene business has proliferated and reached a near Pan India presence. Your Company has plans to have 1000 Retail Outlets of its own in 5 years. MRPL intends to achieve 1 million ton in fuel sales (MS and HSD) in the medium term through network expansion. Oil is the best and only economical source of petrochemicals for the world today. Presence of petrochemicals in product portfolio is giving leverage for profit maximization. A diversified product slate mitigates the risk of dependency on few products and also delivers margins. MRPL is also evaluating opportunities in valorization of molecules from existing refinery through small and medium size investments.

Alternate energy forms like Green Hydrogen and Bio Fuels are emerging. MRPL has initiated action for gradual adoption of these alternatives as well. The Company envisages setting up 2G Ethanol and Bio-ATF plants in the Bio Fuels sphere and Green Hydrogen would be manufactured for in-house use in the refinery processes.

### **Corporate Social Responsibility**

As a socially responsible organization, your Company has continued to take CSR initiatives that have positive impact on society at large,

especially the community in the neighbourhood of its operations. MRPL has been undertaking Corporate Social Responsibility (CSR) activities under the tag of “Samrakshan”. In the course of consistently fulfilling the obligations under Section 135 of the Companies Act 2013, MRPL has been engaging with stakeholders to include actions that reflect the interests of society. During 2022 - 23, your Company spent an amount of ₹ 8.73 Crores on CSR activities including Healthcare, Education, Community development projects, livelihood support and environment care.

### **Sustainable Development**

Your Company has to balance the growing energy requirements with sustainable actions. MRPL is committed to governance in the areas of energy efficiency, emissions control, water optimization, waste management and biodiversity protection.

Reliability and operational efficiency have translated to the lowest specific energy consumption of 71.21 MBN in the year. The Grid Power Infrastructure Augmentation Project and allied modifications planned would improve the energy efficiency further. Renewable Power is intended to meet a significant portion of energy requirements of MRPL in the medium term. This will contribute majorly towards carbon emissions abatement.

Your Company is committed to the bottom lines of environment and society in addition to economics. MRPL has been lowering its fresh water footprint through circularity in water usage and use of desalinated water. The ability to utilize treated STP water from the city and the capacity to generate desalinated water are providing the company with independence in water management. Separately, the

Company has executed a Memorandum of Understanding with Karnataka Forest Department to collaborate on the restoration and rejuvenation of Kudumburu river and its adjoining mangrove forest area encompassing a total area of 422 acres.

MRPL is working on formulation of Net Zero Policy. This will provide the framework for setting of medium and long term goals. Concurrently, it has been leveraging opportunities in green initiatives with plans for Green Hydrogen adoption and setting up of Bio Fuel units.

### **Corporate Governance**

MRPL is committed to good Corporate Governance practices that ensure conduct of business in a principled, transparent and accountable manner. Your Company discharges its functions with the highest integrity protecting the interests of all stakeholders.

Your Company has been complying with all the requirements of Corporate Governance as stipulated in the Companies Act, 2013, Listing Regulations and DPE guidelines except the non-availability of required number of Independent Directors on the Board of MRPL, for which we have already sought appointment from our Administrative Ministry. The Board of Directors of MRPL strives continuously for betterment in its internal control system in operations, finance, legal compliance and risk management.

### **The Way Forward**

Your Company had a successful year, in spite of a difficult business environment, due to your collective support, and that of our

committed employees. No doubt challenges lie ahead but your company has proven strengths and opportunities to grow.

With focussed operations and purposeful marketing efforts we aim to be a large player in our region. The low per capita energy consumption in the country provides benefits to be reaped in the conventional fuel space even while the efforts in energy transition continue. To reinvent itself, your company would focus on energy efficiency, green initiatives and petrochemicals diversification for business relevance. Capital spending in these areas would increase in the future to meet these aspirations. MRPL is expected to benefit from the domestic market where significant growth is projected.

**Acknowledgements:**

I convey my heartfelt thanks to all our shareholders for their continued trust and confidence in the Management of the Company. My gratitude is due to my colleagues on the Board for their valuable guidance. I also convey my sincere thanks to our customers, suppliers, bankers, auditors, legal advisors, consultants and all other business associates for their continued support, interest and confidence in the Company and its Management. I would like to thank the Government of India, Ministry of Petroleum and Natural Gas and other associated ministries and departments as well as Government of Karnataka for the continued support that we have been receiving. I gratefully acknowledge the support provided by the Parent Company, Oil and Natural Gas Corporation Limited. Finally, I am thankful to all our employees for their consistent high-level performance, commitment towards the Company's goals and for their team effort.

**Thank You**

**Jai Hind !!!**