



## MANGALORE REFINERY AND PETROCHEMICALS LIMITED

### 33<sup>rd</sup> ANNUAL GENERAL MEETING

#### CHAIRMAN'S SPEECH

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Dear Shareholders,

Good Evening and my Heartiest Greetings to you on behalf of MRPL.

I welcome you all to the 33<sup>rd</sup> Annual General Meeting of your Company. Thank you for joining us today.

The 33<sup>rd</sup> Annual Report, containing AGM Notice, Board's Report for the financial year 2020-21 and the audited financial statements, has already been sent to all the members. With your permission, I would like to take them as read.

I shall briefly touch upon the events that shaped the economy and industry in FY 2020-21, the performance of your Company and the business outlook.

#### **The Economy:**

During the last year, COVID-19 pandemic has impacted businesses and lives across the globe. Over three million lives were lost around the world. Global Economy contracted to minus 3.3%. Lockdowns that were imposed globally have impacted all businesses. Global growth is expected to rise above 5% in 2021 aided by fiscal support and vaccine powered recovery.

India is also combating the effects of this global pandemic. The population was confined to homes for much of the first quarter of the last fiscal. Businesses were shut, consumption slumped and investments were hit. The country witnessed shutdowns in April, May and June of the current fiscal too. Despite the revenue crunch, the government has continued to provide relief to poorer households, ensured relief to small and medium enterprises and has put in place multiple measures targeting economic recovery. Government's continued stimulus on infrastructure and social sectors will be required to guide the pace of recovery. India's recovery has been stronger than earlier expected. Indicators including exports, energy consumption, automobile sales and manufacturing are beginning to show an uptick.

### **Industry:**

The lockdowns caused by the pandemic have completely skewed the energy consumption patterns. Fuel consumption has been impacted with travel being restricted and this in turn has caused a drastic change in the margins available for producers. Consequently, global refining margins continue to be at low levels even after a full year after the onset of the pandemic.

India is the third largest consumer of energy. At close to 18% of the world's population, the per capita energy consumption is only 0.6 Mtoe (Million tonnes of oil equivalent) when compared to China's at 2.42 Mtoe and USA's at 6.84 Mtoe. This suggests significant increase in energy use in the next two decades of growth.

There is a significant churn happening among Oil, Natural Gas, Coal and Renewables in the energy basket. Conventional energy sources are still

the primary contributors to the energy needs. The share of Coal is over 50% and Oil and Gas 36%. The Government is doing well by encouraging different forms of energy. The share of renewables is increasing. Despite the efforts to decarbonize, conventional fossil based energy sources are not going to lose traction in the medium term in India. Oil is important not only as an energy source but also as the only cost-effective source of petrochemicals in the world today. The per capita consumption of plastics is still low in the country and is expected to rise going forward. For India, oil & gas will continue to remain significant well into the next decade.

### **Performance:**

FY 2020-21 was very challenging for your Company. There was near complete destruction in demand for transportation fuels due to lockdown. Export demand was also low as many parts of the world were already under lockdown. Domestic LPG and Polypropylene (for manufacture of PPEs) continued to be in demand. This resulted in shutting down of certain units while still keeping other units in operation. The Refinery weathered these adversities through timely decisions and courage. Despite these hardships, there have been notable achievements by your Company. Your support has been crucial to our efforts.

I would like to place before you some of the major highlights during FY 2020-21:

- The Company has achieved 1755 days without Reportable Lost Time Injuries (RLTI) as on 31.03.2021 translating to 24.17 million safe working man hours.

- Your company achieved a turnover of INR 50,974 Crores but incurred a loss of INR 240 Crores as lower demand for products impacted the prices and refining margins globally. Gross Refining Margin (GRM) stood at 3.71 USD/bbl.
- The Refinery had an excellent operational availability of 99.48% which is an indication of its reliability. The Capacity Utilization of the Plant matched product demand and when pandemic situation eased by Q4 of FY 2020-21, the Capacity Utilization was 100%.
- The Company is continuously diversifying its source of Crude supplies to diminish the risk of disruption. Eight new crudes were processed during the year.
- Isomerization Unit achieved the highest ever Capacity Utilization of 105% in December 2020.
- In March 2021 highest ever monthly production of 43.054 TMT of Polypropylene was achieved.
- Polypropylene Marketing has been expanded beyond Southern India covering western and central India and the company's position has been fortified as a reliable supplier, especially in terms of quality. Further, your company has expanded its presence firmly in the international market by exporting (Direct exports) High quality polypropylene to four countries yielding better realization in export market during FY 20-21. Subsequently the foot print has now been expanded to nearly 16 countries even covering African nations.
- In the nation's fight against COVID, production of niche Polypropylene grade was maximized for use in the manufacture of protective masks.
- The total domestic sales (direct sales) of all products during FY 2020-21 was 1691 TMT with a sales value of INR 7,207 Crores.

- Due to losses, the Board expresses its inability to declare dividend for FY 2020-21.
- Your Joint venture company Shell MRPL Aviation Fuel and Services Limited achieved a sales turnover of INR 249.3 Crores in the current financial year as against INR 815.8 Crores in the previous financial year. The dip in revenue for FY 2020-21 was on account of travel restrictions in the wake of Covid pandemic.

### **Business Outlook:**

Your refinery has a high complexity factor enabling processing of different types of crudes optimally. The risk of disruption in Crude flows is relieved by multiple sourcing options. The company has been maximizing efficiency. On the input side, it has commenced use of cheaper fuel substitute like Natural Gas. On the asset side, integration of the Refinery with its subsidiary has been initiated which would lead to product diversification and synergy benefits. On the output side, multi-marketing model is being ensured through Retail Sales, Direct Sales, Merchant Sales and synergies with group Refining Company.

MRPL has increased its Retail Footprint to 27 outlets presently which is expected to be increased to 40 outlets by the end of the present year. We have received good response for setting up of new Retail Outlets at 110 locations in Kerala and 413 locations across Karnataka. Retail Marketing would be expanded to cover the states of Tamil Nadu, Andhra Pradesh, Telangana and Goa in the medium and long term.

FCC Gasoline Treatment Unit is a new asset which was commissioned successfully in July 2021. This will enable refinery complex to meet the growing domestic demand of BS VI grade Petrol. On the infrastructure

side, Desalination Plant is nearing Mechanical completion with commissioning expected in Sep 2021. Oil Marketing Terminal at Devangonhi near Bengaluru is being set up which would fuel MRPL's Retail ambitions and also enable MRPL to place aviation turbine fuel (ATF) through the Mangaluru Bengaluru Product pipeline and get transportation cost advantage.

MRPL today is characterized by the ability to process wide range of Crude stocks to produce regulation compliant fuels and petrochemicals. Your company intends to be a total fuel solution provider. Study and evaluation of a new 2<sup>nd</sup> Generation Advanced Bio-Fuels Technology is underway. The company has also tied-up for supplies for dispensing Compressed Natural Gas at identified Retail Outlets that are being set up. The company is also exploring Bio-ATF manufacture.

The technologies that the Refinery would adopt in the future would be market driven. Land is being procured for the next phase of Expansion. With the next stage of growth, company would have covered significant ground from a being a "Fuels only" to a 'Fuels also" entity.

### **Corporate Social Responsibility:**

MRPL has been undertaking Corporate Social Responsibility (CSR) activities under the tag of "Samrakshan". MRPL has been rededicating itself to ensuring sustainable and equitable development through a well-orchestrated CSR program in accordance with Section 135 of the Companies Act 2013.

During 2020 - 21, the Company spent an amount of INR 25.36 Crores on CSR activities including Healthcare, Education, Community development projects, livelihood support and environment care.

In the present financial year, medical grade Oxygen plants have been set up at seven Government hospitals in Karnataka at an approximate cost of INR 6.5 Crores in the fight against COVID pandemic.

### **Sustainability Development:**

Your Company values sustainability as an important driver for future readiness in a dynamic market environment.

- Your Company is in the process of establishing a biodiversity park in about 41 acres of marshy land adjacent to the Refinery. In this process MRPL has entered into an MOU with Dr. Shivarama Karnatha Pilikula Nisarga Dhama, the domain experts in this subject. The process of establishing this park will take approximately 60 months and it is expected to be developed completely by the year 2024.
- Your Company has established a Vermi compost production facility inside its premises for converting plant /tree wastes like leaves, branches, etc. into compost which shall be used as manure in its horticulture activities and green belt development. This will help in reducing dependency on inorganic fertilizer which is presently being used. The first batch of Vermi compost of 40 kg was harvested on 26<sup>th</sup> Mar 2021.
- Your Company is establishing a tree park in approximately 25 acres of land at Panambur, Mangalore near the Desalination Plant. This is being done in coordination with Karnataka Forest Department.

- Your company commissioned the use of Natural Gas in the Refinery on 10<sup>th</sup> Mar 2021. This will aid not only in reduction in cost of fuel and cost of Hydrogen generation but also reduction in carbon footprint.

MRPL is committed to carrying out refinery operations in a sustainable manner. This will help to sustain our business in a safe, efficient and responsible manner.

### **Health, Safety and Environment:**

Your Company fosters a culture of care for Health, Safety, Environment and wellbeing of employees and communities. Training of Human Capital and use of advanced technologies are intricate to this culture. Best practices and procedures of the industry are adopted. The Company has implemented internationally recognized ISO standards in Environment Management System, Quality Management System, Energy Management System and OHSAS. To ensure good health of our employees, annual Medical Check-up is carried out in compliance with the Rules under the Factories Act. In the current times, vaccination drive against COVID has been carried out at our hospital for our health workers, employees and their dependents, CISF personnel and secondary workforce.

The Company pulls all the stops to reduce its energy and water footprint. Energy integration through modifications, optimum energy use in operations and maximization of treated effluent and treated sanitary water are efforts in this context.



## **Corporate Governance:**

MRPL is committed to good Corporate Governance practices that would 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. An unqualified report from the Joint Statutory Auditors and 'Nil' comments from C&AG is a matter of pride for all of us.

Your Company has been complying with all the requirements of Corporate Governance as stipulated in the Companies Act, 2013, SEBI 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 strive continuously for betterment in its internal control system in operations, finance, legal compliance and risk management knowing well that good practices and commercial success are not inimical to each other.

## **The Way Forward**

The market mayhem wrought by COVID is causing short term pain. The response to the situation has been courageous to keep the Company's operations going during the year. Expenses were rationalized. This has kept the losses low in a year when Crude prices swung by more than 60 USD/bbl and the benchmark GRM (Singapore) was negative for the first half of the year. The intervening period would continue to remain challenging. The Company has taken up many actions to consolidate its operations. It is maintaining fiscal discipline. It has initiated the process of merger of its subsidiary OMPL with itself. It has built synergies with

group refining company and it is moving along with its Retail Expansion Plans. While present year performance has been severely impacted on account of the pandemic, the resilience of the company shows that it has the structural capability to withstand and overcome the current short-term crisis that is engulfing the whole world.

**Acknowledgements:**

In conclusion, on behalf of the Board of Directors, I take this opportunity and privilege to thank all our esteemed shareholders whose trust and confidence is a great source of strength for us. I would like to also thank the Government of India, Ministry of Petroleum and Natural Gas and other associated ministries and departments of Government of India as well as Government of Karnataka for their continued support and guidance to us at all times. I gratefully acknowledge the support provided by our Parent Company, Oil and Natural Gas Corporation Limited.

Last but not the least, I would like to place on record my sincere gratitude to every employee of MRPL for the hard work and dedication towards the Company year after year.

**Thank You**

**Jai Hind !!!**