



MANGALORE REFINERY AND PETROCHEMICALS LIMITED

30th ANNUAL GENERAL MEETING

CHAIRMAN'S SPEECH

Dear Shareholders,

Good Evening.

I welcome you all to the 30th Annual General Meeting of your Company. Thank you for joining us today.

The 30th Annual Report, containing AGM Notice and Board's Report for the financial year 2017-18 along-with the audited financial statements, has already been sent to all the members. With your permission, I would like to take them as read.

First of all, I would like to share with you that an unqualified report from the Joint Statutory Auditors and 'Nil' comments from C&AG for the 16th year in a row, is a matter of pride for all of us.

The Economy:

India has emerged as the fastest growing major economy in 2017-18, registering a growth rate of 6.7%. The latest global economic outlook of the International Monetary Fund (IMF) has forecast a domestic GDP growth rate of 7.4% and 7.8% in the years 2018 and 2019, respectively. After a slowdown in the economy in the first half of FY'18, mainly due to impact of major reforms such as currency exchange, GST etc., economic growth picked up in the later half. One of the highlights of this economic

recovery was increase in Foreign Direct Investments which went up to \$61.96 billion according to DIPP.

As one of the fastest growing economies, accounting for about 15% of global growth, India's economy has helped to lift millions out of poverty and could help power global growth, next only to china and US.

However, in the global arena, the growing possibility of trade-wars between major economies and rise in geopolitical disturbances is a matter of concern for the energy sector - especially, oil and gas. It has contributed to increased crude price volatility which has direct impact on energy supplies. In this context, the decision by OPEC and some other major non-OPEC countries to gradually step up supplies provides some stability in crude prices.

That being said, high crude prices does not bode well for an energy-hungry and import-dependent country like India. Any negative demand reaction from a major economy like ours will create stress throughout the global economy. Persistently high crude oil prices will further jeopardize the recovery of the global economy at a time when risks from trade-wars, an unstable Euro-zone and geopolitics are also on the rise.

Therefore, this calls for increased collaboration between producers and consumers to ensure steady and sustainable growth of the energy markets.

Industry:

Coming to the Hydrocarbon industry, despite a lot of speculation around peak-demand, global oil demand growth is projected to continue at least for the medium term. Bulk of this growth is driven by developing countries, particularly Asian developing countries. The Indian energy

scenario too follows a similar path. Traditional mix of coal and petroleum is likely to remain dominant in India's energy basket in the medium to long term. Renewable energy which is picking up at a rapid pace, is expected to help in providing widespread access to electricity. Against the plan of 175 GW by 2022 set as per Paris Agreement, India as of June 2018 is aiming to achieve 225 GW of renewable energy capacities by 2022.

Energy demand in India is expected to double by 2040. Demand for petroleum products is expected to continue growing at the present rate in the medium term largely driven by the growth of the automobile sector and increased commercial activity.

The vision of our Honourable Prime Minister in respect of "Energy" consists of 4 pillars - Energy Access, Energy Efficiency, Energy Sustainability and Energy Security. In a diverse country with varying priorities like India, Energy sustainability has to be seen in tandem with the other three pillars for a stable energy future. At the same time, India has demonstrated a very strong commitment to the Paris Agreement and has taken the lead in promoting International Solar Alliance. In the downstream arena, decision for domestic refineries to migrate to BS VI norms by April 2020 also reflects an industry-wide commitment for a sustainable energy future.

Performance:

I am pleased to inform that your Company has delivered strong financial and operational performance during the financial year 2017-18. Your support has been vital to our efforts and achievements. Your Company was also recognized with several awards accolades.

I would like to place before you some of the major accomplishments during FY'18 :

- Your company achieved turnover of ₹63,067 Crore and earned a profit after tax (PAT) of ₹2,224 Crore. Gross Refining Margin (GRM) stood at 7.54 \$/bbl.
- Achieved highest ever throughput of 16.31 MMT
- The company's Polypropylene production and despatch was 294.5 Thousand MT (TMT) and 278.16 TMT, respectively as against 264 TMT and 263.6 TMT in the financial year 2016-17.
- The Board of your Company has recommended a dividend of 30% on the back of sustained profits in the past three years notwithstanding significant volatility in the crude oil prices. This reaffirms the inherent resilience of the company.
- The Company has achieved 'zero fatality' and 659 accident free days, as on 31/03/2018.
- Your Company has also achieved 8.51 million man hours worked in the year 2017-18.

Company's Growth:

Your company is evaluating the optimal configuration for the next phase of expansion. The expansion is slated to be tightly integrated with the existing complex so that synergies of infrastructure and operational flexibility can be achieved. The expansion will meet the growth aspirations of the company and will enable it to achieve a significant presence in the Oil, Gas and Petroleum sector in the coming years.

Your company continues to hold 51% of equity shares in ONGC Mangalore Petrochemicals Limited (OMPL) with rest being held by parent company ONGC.

Corporate Social Responsibility:

As a responsible Corporate Citizen, your Company attaches a high priority to its social welfare and community development initiatives which focus on the key areas of education, health care & sanitation and overall development of basic infrastructure in and around its operational areas, in accordance with Schedule VII of the Companies Act, 2013.

Sustainability Development:

Being in a carbon-intensive sector, your company is cognizant of the impact of its business on the environment. It has derived Carbon Foot Print of the refining operations and has formulated an action plan to improve the carbon intensity of the refinery to the extent possible. Your company has commissioned roof top solar project of 6 MWp (Mega Watt Peak) in a refinery site in India. Your Company also remain committed to reducing fresh water intake, maximizing recycle of treated effluent and decrease Sulphur oxide emissions. Your company has implemented the 'Reduce, Reuse and Recycle (3R)' philosophy for its Solid and Liquid Waste Management.

When it comes to the management of Hazardous and Other Wastes, your company has been striving continuously towards its goal of achieving Zero Waste Disposal to Land fill.

In order to reduce fresh water intake, MRPL has installed an additional Reverse Osmosis (RO) plant of 3.4 MGD capacity with a financial

implication of ₹10.30 Crore for processing the Municipal Sewage. Further, in order to further reduce reliance on Fresh water and to provide MRPL with the flexibility for future expansions, a RO based Desalination Plant of 13 MGD capacity is also being set up.

Health, Safety and Environment:

Your Company accords highest priority to integration of Health, Safety and Environmental (HSE) aspects while taking business decisions. Safety of our employees and the communities that we are a part of, is extremely important to the company. To ensure good health of our employees, annual Medical Check-up were carried in compliance with the Rules under Factories Act and Karnataka Factories Rules.

Your company also has a well-developed and resilient Quality and Environment Management system. Our facilities are ISO 2015 certified which has made us the pioneers in Indian Oil & Gas fraternity to comply with revised ISO standards. We have always believed that working together to ensure the safety, sustainability, reliability and stability of our operations enables prosperity of all our stakeholders.

Corporate Governance:

A robust Corporate Governance framework is a key attribute of your Company. Your Company has been complying with all the requirements of corporate governance as stipulated in the Companies Act, 2013, Listing Regulation, and DPE guidelines. The Board of Directors of MRPL is well aware of its responsibility for the development and implementation of internal procedures and regulations to ensure compliance of good Corporate Governance principles and ensures adherence to the highest standards of transparency, accountability and ethical business practices to meet stakeholders' aspirations and societal expectations.

I would like to inform that your Company has a well established internal control mechanism which is being constantly improved upon and upgraded to ensure management effectiveness and efficiency, reliable reporting on operations and finances and securing high level of legal compliances and risk management.

Acknowledgements:

I take this opportunity and the privilege to thank all our esteemed shareholders who have continuously reposed their faith in us. I would like to also thank the Government of India, Ministry of Petroleum and Natural Gas and other associated ministries and Govt. departments in the center 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 the “Team MRPL” for its continuous and whole hearted effort for the commendable performance of the Company during FY’18.

Thank You

Jai Hind