



MANGALORE REFINERY AND PETROCHEMICALS LIMITED
32nd ANNUAL GENERAL MEETING
CHAIRMAN'S SPEECH

Dear Shareholders,

Good Evening.

I welcome you all to the 32nd Annual General Meeting of your Company. Thank you for joining us today.

Due to restrictions imposed by the COVID pandemic, we are holding a Virtual Annual Shareholder's Meeting in place of the usual AGM.

The 32nd Annual Report, containing AGM Notice and Board's Report for the financial year 2019-20 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.

Prior to sharing with you the performance of the Company for FY 2019-20, I would like to touch upon the economic scenario and the role of energy producers in development of our Nation.

The Economy:

Indian Economy much like the World Economy has also been impacted adversely by the COVID pandemic. India effected lockdown from 24th March in order to protect its citizens and to give the system time to build up capabilities to handle the large flux of patients, which a long drawn pandemic can bring.

India had been growing at 7 percent average for a decade now. For much of FY 2019-20, India had a slower growth. The automobile sector which is considered a barometer of the Indian Manufacturing Industry had seen sales depressed for almost a full year. Sale of two wheelers, passenger cars and commercial vehicles which are indicative of rural, urban and commercial demand respectively remained stressed due to changing environmental norms for vehicles and lack of credit. However, lower Crude prices during this economic climate boded well for India. In this period monetary policy interventions ensured that inflation was at manageable levels, thus preventing stagflation.

Industry:

India is home to 18% of the world's population but uses only 6% of the world's primary energy. To meet its growing energy requirement, India is seeking to rebalance its energy basket. The country is making critical fuel choices between Oil, Coal, Natural Gas and Renewables for power generation. Coal still remains the most important source for power in India. However, new investment decisions would be guided towards cleaner and low carbon resources.

The share of renewables in the energy basket has been increasing steadily. The government has been continuously encouraging diversification. Bio-energy (compressed bio gas) is a case in point. Bio gas

meant to be generated from agricultural residue, cattle dung and municipal solid waste is commercially viable in the Indian context. Advanced bio fuel plants (2G Ethanol) are proposed to be set up by Oil companies, including your company. The government has indicated viability support for commercialization.

With ambitious targets and support policies, clean energy is poised for an increased share, but coal and oil are here to stay in the medium to long term. In fact, International Energy Agency projects that the world could still need nearly 70 million barrels of oil a day in 2040 even in the most aggressive low carbon scenario.

Performance:

I am pleased to inform that despite multiple challenges faced during the year, your Company has delivered robust operational performance during the financial year 2019-20. 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 highlights during FY 2019-20 :

- Your Company achieved a turnover of ₹ 60,728 Crores; however, incurred a loss of ₹ 2,708 Crore. Gross Refining Margin (GRM) stood at (-) 0.23 \$/bbl, on account of two disruptions in Refinery Operations, due to force majeure situations in Q1 & Q2 & due to onset of Covid 19 pandemic in Q4. The cumulative effect of these events coupled with shrinkage in product cracks & Inventory Loss, has resulted in contraction of margins.
- The Refinery had an otherwise excellent operational availability of 99.06%, which is an indication of its reliability.

- Highest Crude Throughput of 1428 TMT was achieved in the month of July, 2019. (Previous Highest was 1403 TMT in the month of July, 2017).
- MRPL Started producing BS VI grade MS & HSD from September, 2019 onwards
- Loading operation of Crude from ISPRL, through SPM was carried out for the first time in the month of December.
- HSD 0.001%S, MFO 1%S and MFO-0.5%S grades were exported for the first time.
- The Company has maintained its leadership position in the Polypropylene market of South India for its MANGPOL brand. Your Company has expanded its polypropylene grade basket by stabilizing PP Yarn Grade (35 MI) which is used in medical applications in manufacturing of masks & PPE. Your Company has supported the Nation's fight against COVID pandemic by maximizing the availability of PP Yarn Grade (35 MI) during February and March, 2020.
- The total domestic sales volume of all products during the FY 2019-20 has been 1702 TMT with a sales value of ₹ 5,568 Crores.
- Due to losses, the Board expresses its inability to declare dividend for the FY 2019-20.
- Your Company Shell MRPL Aviation Fuel and Services Limited has steadily acquired business for sale of Aviation Turbine Fuel (ATF) at Indian airports. The Company achieved a turnover of ₹ 823.58 Crores during FY 2019-20 against a turnover of ₹ 718.99 Crores in the previous FY 2018-19.

- The Company has achieved 1390 days without Reportable Lost Time Injuries (RLTI) as on 31.03.2020, translating to 13.032 million safe working man hours in 2019-20.

Company's Growth:

Your Company is a modern refinery that has been continuously upgrading its facilities. The refinery has the capability to process various types of crude from different sources, enabling your Company to offset any supply disruption.

MRPL expects to expand its retail presence by adding new retail outlets every year in the states of Karnataka, Kerala and Goa. MRPL retail presence will be further expanded to Tamil Nadu, Andhra Pradesh and Telangana in the long term. Your Company is also actively collaborating with Group Companies to expand its domestic retail marketing share.

Certain infrastructure projects such as Truck Loading & Railway Siding for Petcoke Evacuation, to improve logistics have been commissioned successfully in the year.

To improve feeder service in Bengaluru, DFR for setting up of a Marketing Terminal at Devengonti, near terminal point of MHB pipeline, has been completed and Project work will start in FY 20-21.

To mitigate the dependence & risk of river water as a single source of water, a desalination plant is being set up near the sea. This plant of current capacity 30 MLD (expandable to 70 MLD) will cater to the future water requirement of the refinery.

Your Company is setting up a 60 KLPD 2G Ethanol Plant, with Corn Cob & Cotton Stock as feed, at Harihara, Davangere, in line with Government's mandate on Advanced Bio Fuels. A non-binding MOU has been signed with M/s Mitsui. Land for the same has been allotted by KIADB.

Land is a scarce commodity and your Company is in the process of acquiring land for expansion, through the Karnataka Government. Your Company is also planning for capacity expansion.

Corporate Social Responsibility:

As a responsible Corporate Citizen, your Company is conscious of its Corporate Social Responsibility and the impact it has on society. MRPL's social welfare and community development initiatives focus on the key areas of education, health care & sanitation and overall development of basic infrastructure in and around its operational area/ Dakshina Kannada & Udupi District/Karnataka State. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.

During 2019 - 20, the Company has spent an amount of ₹ 76.09 Crores on CSR activities mainly in the areas of Healthcare, Education, Swachh Bharat projects and other Social projects.

Sustainability Development :

- MRPL is committed to the responsibility of carrying out refinery operations by maintaining high standards towards Sustainable Development.

- Your Company is establishing a biodiversity park in about 41 acres of marshy land adjacent to the Refinery. In this process your Company has entered into an MOU with Dr. Shivarama Karnatha Pilikula Nisarga Dhama, the domain experts in this subject. This park is scheduled to be completed by 2024 at an estimated cost of ₹ 14 Crores. In this process, the marshy land will be converted into a full-fledged bio diversity park containing native tree species which would help in attracting birds, insects, etc. This will also contain aquatic plants which would help in increasing the diversity of fishes and other aquatic animals.
- Your Company is establishing 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. The first batch of vermi compost is expected to be produced in the last quarter of 2020.
- Your Company has planned to move to usage of Natural Gas as fuel for which required internal modifications have been completed. As soon as the pipeline from Kochi gets completed, your Company would commence utilising RLNG thereby reducing the overall Carbon footprint and contribute to sustainable development.
- Your Company is also looking at bringing out innovative solutions to the issue of environment and sustainable development through collaborative efforts in R&D as well as in encouraging Start-Ups in such fields.

Health, Safety and Environment:

Your Company accords highest priority to integration of Health, Safety and Environmental (HSE) aspects while taking business decisions. 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. The practices under these standards are continuously updated to achieve target of zero injuries and accidents.

To ensure good health of our employees, annual Medical Check-up is carried out in compliance with the rules under Factories Act and Karnataka Factories Rules.

The Company continues to reuse treated effluent from the manufacturing plants as make-up water for cooling tower and fire water requirements apart from horticulture purpose.

Corporate Governance:

The Company endeavors to uphold the practices of good Corporate Governance to ensure transparency, integrity and accountability. Your Company has been complying with all the requirements of corporate governance as stipulated in the Companies Act, 2013, Listing Regulation, and DPE guidelines except for the non availability of sufficient number of Independent Directors on the Board of MRPL. We have already requested our Administrative Ministry for appointment of Independent Directors.

I would like to inform that your Company has robust internal control mechanism. I would like to share with you that an unqualified report from

the Joint Statutory Auditors and 'Nil' comments from C&AG for the 18th year in a row, is a matter of pride for all of us.

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 has been 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 each and every employees of MRPL for their dedication and hard work which has translated into commendable performance of your Company year after year.

Thank You

Jai Hind !!!