Executive Summary

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Mangalore Refinery and Petrochemicals Limited, in the year 2006, decided to undertake a refinery upgradation project with an estimated cost of ₹ 7,943 crore. The objective of the Project was to increase the refinery capacity from 11.82 MMTPA to 15 MMTPA and to enhance the production of value added products. In June 2010, the estimated cost stood revised to ₹ 15,008 crore due to change in the scope of the Project. The project, which was initially proposed to be completed in June 2010, was actually completed in June 2015.

The planning, execution and commissioning of units under the project and its impact on refinery operations during 2011-16, were reviewed during the course of Performance Audit. Significant audit findings are detailed below:

- Deficiency in planning, due to lack of clarity regarding revamping of existing units and commissioning of additional units, led to time over run of more than two years and cost overrun of ₹ 2,509 crore.

(Paragraph 2.1.1)

- The Company availed External Commercial Borrowings without hedging the associated currency fluctuation risk. The Company lost approximately ₹ 13.70 crore (net of currency hedging cost) due to exchange rate variation on loan repayments (up to September 2016) and may incur further losses in case of non-strengthening of the rupee against USD.

(Para 2.2.1)

- The Company drew funds for the project in excess of its requirements due to which ₹ 768.46 crore was lying idling in non-interest bearing current account.

(Paragraph 2.2.2)

- Out of 87 major contracts reviewed in Audit, there were delays in execution of formal contract in 84 cases after issuance of Letter of Acceptance.

(Paragraph 2.3.2)

- Delayed commissioning of Captive Power Plant resulted in idling of various processing units for a period ranging from 11 to 26 months, even though the same had been mechanically completed.

(Paragraph 2.4.1)

- Savings in freight, avoidance of demurrage and improvement in Gross Refinery Margin as envisaged while the decision for setting up of Single Point Mooring facility was taken, were actually not achieved.

(Paragraph 2.5.5)

- Non synchronisation of revamped Hydrocracker units with Petrochemical Fluidized Catalytic Cracking unit led to production of low value products in place of high value products during the period from 2011-12 to 2014-15 which resulted in loss of revenue of ₹ 6328.76 crore.

(Paragraph 3.3)

- Non production of Propylene as per the designed yield and its non conversion to Poly Propylene, a high value product, in the Poly Propylene Unit during the period from August 2014 to May 2015 resulted in a loss of margin of ₹ 382.83 crore.

(Paragraph 3.6.2)

- The processing units consumed Steam in excess of norms and incurred extra expenditure of ₹ 231.94 crore.

(Paragraphs 4.1)

- There were delays in complying with environmental directives.

(Paragraphs 5.1, 5.2 and 5.3)