

## Preface

This Performance Audit Report of the Comptroller and Auditor General of India has been prepared in accordance with the Performance Audit Guidelines and the Regulations on Audit and Accounts, 2007 of the Comptroller and Auditor General of India.

In February 2006, Mangalore Refinery and Petrochemicals Limited decided to undertake a refinery upgradation project with an estimated cost of ₹ 7,943 crore. The cost underwent changes from time to time due to change in capacity, addition and deletion of various units. The Project was completed during the period from August 2013 to June 2015. As of March 2016, the total expenditure incurred by the Company on the Project was ₹ 14,832 crore.

The Performance Audit was conducted with a view to examine the economy, efficiency and effectiveness in execution of the Project and to review the refinery operations so as to ensure that the same were carried out economically and efficiently.

Audit observed deficiencies in the planning phase of the Project which resulted in time and cost overrun. Audit also observed that various factors such as deficiencies in planning for crude in consonance with the capacity of processing units, delayed commissioning, synchronisation of the commissioned units with other existing / new secondary processing units, operating below optimal capacity etc. adversely impacted the efficiency of the operation of the refinery units. Further, non-compliance with the directions on environment conservation issued by various statutory authorities was also observed.

Audit has recommended that in future, the Company may draw up a comprehensive plan before finalising the projects in order to avoid time and cost overrun and also ensure sequential completion and proper integration of the processing units to avoid their idling and underutilisation.

Audit acknowledges the co-operation and assistance extended by Mangalore Refinery and Petrochemicals Limited and Ministry of Petroleum and Natural Gas in the conduct of this Performance Audit.

