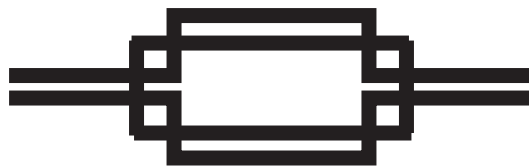


18th Annual Report 2015-16



Petronet MHB Ltd

CIN : U85110KA1998PLC024020

No. 332, Darus Salam Building, 1st Floor, Queen's Road,
Bangalore - 560 052. Phone : 080 - 2226 2317 (Board)

Email : headoffice@petronetmhbl.com

Website: www.petronetmhbl.com

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Offices, Auditors & Bankers

Registered Office (Head Office) :

No. 332, Darus Salam Building,
1st Floor, Queen's Road,
Bangalore - 560 052.
Phone : 080 - 2226 2317 (Board)
Website: www.petronetmhbl.com
CIN : U85110KA1998PLC024020

Stations:

Mangalore Dispatch Station

Near HPCL POL Terminal,
Bala Village, via Katipalla,
Mangalore- 575030.

Neriya Intermediate Pumping Station

Village Neriya, Taluk Belthangady,
Dakshina Kannada District-574292.

Hassan Intermediate pumping and Delivery Station

KIADB Industrial Growth Center,
Bommanaikanahalli Village,
Hassan-573201.

Bangalore (Devanagonthi) Receiving Station

Near Devanagonthi Railway Station,
Village Tarabahalli, Hoskote Taluk,
Bangalore - 560067.

Statutory Auditors:

GRSM & Associates

Chartered Accountants
No.8/90, 1st Floor, Apollo Tyres Building
Pampa Mahakavi Road, Shankarpuram
Bangalore -560 004.

Cost Auditors:

GNV & Associates

Cost Accountants
No 8, I Floor, 4th Main
Chamarajpet
Bangalore - 560 018

Banker:

Central Bank of India

Registrar &

Share Transfer Agent:

Integrated Enterprises (India) Limited

Depository:

National Securities & Depositories Ltd

Key Managerial Personnel:

Sri Anil Khurana
Managing Director

Sri Chandan Kumar Das
Chief Financial Officer

Sri Sachin Jayaswal
Company Secretary

Petronet MHB Limited

CIN : U85110KA1998PLC024020

No. 332, Darus Salam Building, 1st Floor, Queen's Road, Bangalore - 560 052.

Website: www.petronetmhbl.com, Email : headoffice@petronetmhbl.com

Tel : 080 - 2226 2317 / 22262243

Notice of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the members of Petronet MHB Limited will be held on Friday, 23rd day of September 2016 at 12.30 PM at Hotel Le Meridien, No. 28 Sankey Road, (Opposite Bangalore Golf Club), Bangalore - 560052 to transact the following business:

A. Ordinary Business:

1. To receive, consider and adopt the audited financial statement of the company for the financial year ended March 31, 2016 together with the Board's reports the Auditors report thereon.
2. To appoint a Director in place of Sri H. Kumar (DIN: 06851988), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri S.K. Gupta (DIN: 06956622), who retires by rotation and being eligible, offers himself for reappointment.
4. To fix and/or to determine the payment of remuneration of the Auditors of the Company appointed by the Comptroller and Auditor General of India for auditing the accounts of the Company for the financial year 2016-17 and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

“RESOLVED that in pursuance of Section 142 and other applicable provisions of the Companies Act, 2013 the Board of Directors of the Company be & are hereby authorised to fix remuneration & other terms & conditions including reimbursement of out of pocket expenses in connection with Statutory Audit Work of the Statutory Auditor M/s GRSM & Associates, Chartered Accountants, appointed by the Comptroller & Auditor General of India for Statutory Audit of the Accounts of the Company for the Financial Year 2016-17”.

B. Special business

5. To re-appoint Sri Anil Khurana (DIN: 05270420) as Managing Director of the Company and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to Article 94 of the Articles of Association of the company and in accordance with the provisions of Section 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, (including any statutory modification(s) or re-enactment thereof for the

time being in force, approval of the Company be and is hereby accorded to the reappointment of Sri Anil Khurana (DIN: 05270420) as Managing Director from April 19, 2016 till April 30, 2017, on terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this meeting, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any Statutory modification(s) or re-enactment thereof”

“RESOLVED FURTHER THAT subject to the above provisions, the salary, allowances and perquisites of Sri Anil Khurana will be in keeping with the terms of deputation as advised by Hindustan Petroleum Corpn. Ltd. (HPCL) from time to time.”

“RESOLVED FURTHER THAT:

- (i) *Attention of Sri Anil Khurana is drawn to the provisions of Article 124(a) of the Articles of Association regarding secrecy.*
 - (ii) *As Managing Director of the Company Sri Anil Khurana will not be entitled for payment of any sitting fees for attending the meetings of the Board or any of its committees.*
 - (iii) *Since Sri Anil Khurana is on deputation from HPCL with the Company, in case HPCL requires his service, the terms of his employment will be reduced in keeping with the advice received from HPCL.”*
6. To ratify the remuneration of the Cost Auditor for the financial year ending March 31, 2017 and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 including any statutory modifications(s) or re-enactment thereof, for the time being in force, the remuneration of Rs. 50,000/- plus applicable taxes plus reimbursement of out-of-pocket expenses incurred for the Audit at actuals payable to M/s GNV & Associates, Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2017 be and is hereby ratified.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By order of the Board of Directors
For Petronet MHB Ltd.

Regd. Office : 332, Queens Road,
Darus Salam Building (1st Floor)
Bangalore - 560052

Date : 26.08.2016



Sachin Jayaswal
Company Secretary

NOTES:

- a. A Member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote on a poll instead of himself. Such proxy need not be a member of the company. Proxies, in order to be valid and effective, must be delivered at the Registered Office of the Company duly filled, stamped and signed not less than 48 hrs. before the commencement of the meeting.
- b. A statement setting out the material facts pursuant to Section 102 (1) of the Companies Act, 2013, relating to special business to be transacted at the Meeting is annexed hereto.
- c. Members/ Proxies/ Authorised Representatives are requested to bring the attendance slip duly filled and signed along with copy of Annual Report to the meeting.
- d. Relevant documents referred to in the accompanying notice are open for inspection by the members at the Registered office of the Company on all working days i.e. Monday to Saturday (except second and fourth Saturday of each month) between 10.30AM and 12.30PM upto the date of the Annual General Meeting.

A brief resume of Directors, who is retiring by rotation and is eligible for reappointment, is given below:

Item No. 2

In terms of Section 152 of the Companies Act, 2013, Sri H. Kumar (DIN: 06851988), Director retire by rotation at the meeting and being eligible, offers himself for reappointment. The Board of Directors of the Company commends his reappointment.

Shri Kumar Hariharan is Managing Director of MRPL (Mangalore Refinery & Petrochemicals Ltd), a Schedule A, ONGC subsidiary. Prior to this Shri Kumar was Executive Director, Corporate Strategy & Planning at Hindustan Petroleum Corporation Ltd. (HPCL).

Shri H Kumar, an honours mechanical engineer from Calicut University, trained in Advanced Management strategies by IIM Kolkata, brings to the table over 3 decades of professional experience across the entire gamut of petroleum functions while serving in one of India's foremost Oil PSEs - HPCL. He has held key positions in different verticals and diverse functional streams of Corporate Strategy, Retail Services & Ops, Projects & Pipelines and LPG Projects and is credited with many benchmarks in the course of his service - whether it be in the construction and commissioning of the Mangalore- Bangalore Pipeline (MBPL) or for the engineering and construction of the Mangalore LPG Import Facility (MLIF) project(a first in Industry) and the HPCL Marketing Terminal for evacuation of MRPL products at Mangalore or the 44 TMTA LPG plant, at Chakan, Pune.

None of the Directors/ Key Managerial Personnel of the Company except Sri H Kumar is concerned or interested in the resolution.

The Directors, therefore, recommend the ordinary resolution for approval by the members.

Item No. 3

In terms of Section 152 of the Companies Act, 2013, Sri S.K. Gupta (DIN: 06956622), Director retire by rotation at the meeting and being eligible, offers himself for reappointment. The Board of Directors of the Company commends his reappointment.

Sri S.K. Gupta, ED - Chief of Business Development & Joint Ventures, ONGC, New Delhi is a Mechanical Engineer from NIT Jaipur with Diploma in Management from Jamnalal Bajaj, Mumbai and having more than 35 years of experience in ONGC spanning thru various fields like offshore operations, engineering services, Design & project management.

He is presently heading the Business Development & Joint Venture group in ONGC as Group General Manager and has been involved in major upcoming projects like C2 C3 extraction plant and Mega Petrochemical projects at Dahej & Mangalore apart from scanning new business opportunities like LNG sourcing & R-LNG terminals, Renewable Energy and other value addition projects in the entire hydrocarbon chain.

None of the Directors/ Key Managerial Personnel of the Company except Sri S.K. Gupta are concerned or interested in the resolution.

The Directors, therefore, recommend the ordinary resolution for approval

STATEMENT SETTING OUT MATERIAL FACTS RELATING TO SPECIAL BUSINESS IN PURSUANCE OF SECTION 102 (1) OF THE COMPANIES ACT, 2013

Item No. 4:

Under Companies Act, 1956 Petronet MHB Limited was a deemed Government company within the meaning of Section 619B of the Companies Act, 1956 pursuant to which Statutory Auditor of the Company was appointed by Comptroller & Auditor General of India (C&AG) and remuneration was fixed by the Company under Section 224 (8) (aa).

Companies Act, 2013 contains no provision corresponding to Section 619 (B) of the Companies Act, 1956. However, the Ministry of Corporate Affairs, vide its General Circular No. 33/2014 dated 31.07.2014 have, inter alia, clarified that such deemed Government Companies are covered under Sub Section (5) and (7) of Section 139 of the Companies Act, 2013 and accordingly the C&AG has appointed M/s GRSM & Associates, Chartered Accountants, the Statutory Auditor for the financial year 2016-17.

The Board of Directors have recommended authorizing the Board of Directors of the Company for fixation of remuneration of Auditors for auditing the Annual Accounts of the Company for the year 2016-17 for approval of shareholders.

None of the Directors/ Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution.

The Board, therefore, recommends the ordinary resolution for approval by the members.

Item No. 5:

The tenure of Sri Anil Khurana as MD, PMHBL came to an end on 18.04.2016. M/s Hindustan Petroleum Corporation Ltd. (HPCL), in terms of the Articles of Association of the Company, extended the deputation tenure of Sri Anil Khurana as Managing Director of the Company till 30th April 2017. Accordingly Sri Anil Khurana was re-appointed by the Board of Directors as MD, PMHBL from 19.04.2016 till 30.04.2017 or till further advise from HPCL, whichever is earlier, at a remuneration recommended by the Nomination and Remuneration Committee and subject to the approval of the Shareholders in the Annual General Meeting. Sri Anil Khurana, was first appointed as Director/ Managing Director of the Company wef 19.04.2012. The remuneration of Sri Anil Khurana, during his term as Managing Director from 19.04.2015 to 18.04.2016, subject to the applicable provisions of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 & in keeping with the terms of deputation as advised by HPCL from time to time was: Salary - Rs. 19 lacs and perquisites & allowances - Rs. 20 lacs.

It is proposed to seek the Shareholders' approval for reappointment of and remuneration payable to Sri Anil Khurana as Managing Director, in terms of applicable provisions of the Companies Act, 2013. He holds 10 Shares in the Company.

Sri Anil Khurana aged about 59 years is GM in M/s HPCL. He is B. Sc. (Mechanical Engineering) & Diploma in Production Management. He has put in an experience of around 34 years in M/s Hindustan Petroleum Corporation Limited (HPCL) in various capacities viz DGM - O&D, North Zone, DGM - LPG, North Zone, Chief Regional Manager - Chandigarh RO etc. Sri Anil Khurana, prior to his appointment as Managing Director of the Company wef 19.04.2012, was GM - Retail, North Zone in HPCL.

The remuneration of Sri Anil Khurana has been approved by Nomination and Remuneration committee constituted by the Board of Directors.

Broad particulars of the terms of re-appointment of and remuneration payable to Sri Anil Khurana is as under:

a) Remuneration:

The remuneration payable to Sri Anil Khurana, subject to the applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 will be in keeping with the terms of deputation as advised by HPCL from time to time.

Particulars	Rs. in lacs/ Annum
Salary	20
Perquisites and allowances	23

The major components of remuneration of Sri Anil Khurana, Managing Director shall include the followings:

- **Salary** - His salary will consist of basic pay, variable DA, Stagnation increment, Special pay, protected pay and other allowances per rules of HPCL. It shall be revised from time to time according to his entitlement in the HPCL subject nevertheless to the various provisions of the Companies Act, 2013. In addition, he will be paid Deputation Allowance as per HPCL rules.
- **Perquisites and allowances** - In addition to salary, the following perquisites and allowances will be provided to him as per the rules of HPCL:
 - Housing
 - Medical Reimbursement - For him and his family
 - Leave Travel Allowance - For him and his family
 - Club Fees
 - Performance Related Pay
- In addition to above, Sri Anil Khurana will be entitled to the followings as per the rules of HPCL:
 - Contribution of Provident Fund / Superannuation Fund / Annuity Fund
 - Personal Accident Insurance
 - Gratuity
 - Reimbursement of entertainment, residential telephone, mobile phone, electricity, newspaper, utilities etc. traveling and all other expenses incurred for the business
 - Leave benefits/ Leave Travel Assistance
 - For his official duties, he will be reimbursed expenses for operation and maintenance of his Vehicle
 - Any other allowances/ perquisites/ payments/ loans/ reimbursements/ advances etc. as may be applicable as per HPCL Rules.

b) General terms and conditions:

1. The Managing Director shall exercise and perform such powers and duties as the Board of Directors of the Company (hereinafter called “the Board”) shall, from time to time, determine, and subject to any directions and restrictions, from time to time, given and imposed by the Board and further subject to the superintendence, control and direction of the Board, he shall have the general control, management and superintendence of the business of the company with power to appoint and to dismiss employees and enter into contracts on behalf of the Company in the ordinary course of business and to do and perform other acts, deeds, and things, which in the ordinary course of business, he may consider necessary or as per or in the interest of the Company, provided however, that nothing shall be done by the Managing Director which by the Act or the Articles of the Company shall be transacted at a meeting of the Board or which shall not be effective unless approved by the Board or which are not expressly provided.
2. The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Companies Act, 2013 with regard to duties of directors.
3. Without prejudice to the generality of the power vested in the Managing Director here in above, Managing Director shall be entitled to exercise the following powers:
 - (i) With the Board’s approval, together with the person in charge of Finance for the time being of the company and other personnel authorized by the Board, to open and operate any banking or other account and to draw, make, accept, execute, endorse, discount, negotiate, retire, pay, satisfy and assign cheques, drafts, bills of exchange, promissory notes, hundis, interest and dividend warrants and other negotiable or transferable instruments or securities;
 - (ii) To borrow moneys with or without security, for the purpose of business of the company, as per applicable provisions of the Companies Act, 2013.
 - (iii) To invest funds of the company (other than in the shares of the other companies) and fixed deposit with the company’s bankers.
 - (iv) To appoint distributors for the sale of the products of the company subject to prior to approval of the Board whenever necessary.
 - (v) To ensure that all taxes due to the Central and State Governments and Municipal authorities are paid promptly.
 - (vi) To engage persons in the employment of the Company.
 - (vii) To increase the salary or the remuneration of any employee of the company and to sanction annual increases.
 - (viii) To enter into contracts for the purchase of goods for the company subject to applicable provisions of the Companies Act, 2013.
 - (ix) To institute, prosecute, defend, oppose, appear or appeal to, compromise, refer to arbitration, abandon and execution or become non-suited in any legal proceedings including trademarks, trade names, trade property and passing off

actions and revenue proceedings relating to customs or excise duties, tax on income, profits and capital and taxation generally or otherwise.

4. The Managing Director shall throughout the said term, devote his entire time, attention and abilities to the business of the company and shall carry out the orders, from time to time, of the Board and in all respect conform to and comply with the directions and regulations made by the Board, and shall faithfully serve the Company and use his utmost endeavors to promote the interests of the company.

5. Confidential Information:

a) The Managing Director shall not, either during or after his tenure hereunder, divulge or utilize any confidential information belonging to the Company or any of its associated companies (including confidential information as to formulae, processes and manufacturing methods, and confidential information as to the business and affairs of the company) which may have come to his knowledge during his tenure hereunder or during his tenure under any previous contract of service with the Company or any of its associated companies, and he shall, both during and after his employment hereunder, take all reasonable precautions to keep all such information secret.

b) Except so far as may be necessary for the purpose of his duties hereunder, the Managing Director shall not, without the consent of the company, retain or make originals or copies of the telegrams, letters, maps, reports drawing, calculations, specifications, formulae, forms, licenses, agreements or other documents of whatever nature belongings to the company or any of its associated companies, or notes thereof, nor retain samples of specimens in which the company or any of its associated companies may be or may have been interested and which have come into his possession by reason of his tenure hereunder. If on the termination of his tenure hereunder, the Managing Director is in possession of any originals or copies of telegrams, letters, maps, reports, drawings, calculations, specifications, formulae, forms licenses, agreements or other documents of whatever nature belonging to the company or any of its associated companies, or any notes thereof or any such samples or specimens as aforesaid, he shall deliver the same to the company without being asked, except so far as consent to retain them has been given to him by the company. Any such consent shall not of itself relieve the Managing Director from his obligations under sub-paragraph (1) above.

6. Inventions:

If at any time while in the tenure of the company, the Managing Director makes or contributes to the making of any invention, the Managing Director shall forthwith supply the company with full particulars of the invention, and subject as hereinafter provided:

a) The Managing Director shall not, without the written consent of the company, make, exercise, use or vend the invention or dispose of any of his rights therein, whether by assignment, license, encumbrance or otherwise;

b) The Managing Director shall not, without the written consent of the company, publish the invention or any information relating thereto to any person whomsoever, except the company and its duty authorized agents.

Provided that paragraph (a) and (b) hereof shall cease to have effect at the expiration of four months from the time when the company has received full particulars of the invention from the Managing Director, unless before the expiration of the said period of four months, the company gives notices to the Managing Director that it wishes the Managing Director to assign his rights in the invention to the Company

7. The Company shall not be entitled to give such a notice as aforesaid unless, in the judgment of the company, exercised in good faith by such officers as may be appropriate, either
 - a) The invention is wholly or partly attributable to the Managing Director's knowledge of or association with any of the company's activities, or
 - b) The invention pertains to or is capable of being operated in connection with any actual or projected activities of the company or of any of the company's associated companies.
8. Where any such notice is given the Managing Director shall, at the expense of the company, provide the company with all such documents, information and assistance, execute all such instrument, and otherwise do all such acts as the company may reasonably require for the purpose of vesting the invention in the company, providing the company with patent and other protections therefore, in any part of the world, or otherwise enabling or assisting the company to exploit and develop the invention and enjoy the property therein, in any country. In any case, in which the Managing Director is not the sole inventor, his obligation under this sub-clause (3), so far as they relate to vesting the invention in the company and enabling or assisting the company to enjoy the property in the invention, shall extend only to such interests in the invention as he is able to secure for the company having regard to the interests of other inventor.
9. If no such notice is given within the said period of four months, then after the expiration of the said period the rights of the Managing Director to publish, exploit, develop and protect the invention shall be subject to the following restrictions only:
 - a) The said rights shall not be exercised so as to interfere with the duties of service which the Managing Director owes to the company, and
 - b) If at any time in the judgment of the company exercised in good faith by such officers as may be appropriate, any actual or projected activity of the Managing Director in the exercise of the said rights is or will be inimical to the interests of the company or of any of its associated companies, the company may impose such restricts upon his engaging therein as the company thinks reasonable for the protection of the said interests.
10. The duties of the Managing Director under this Clause shall be part of the normal duties owed by the Managing Director to the company in consideration of the Managing Director's annual or other periodical salary, and the company shall not be bound to provide the Managing Director with any additional reward in respect of the performance of his duties under this Clause. Nevertheless, in order to promote the advancement of technical arts, the company may be in its sole discretion award the Managing Director

such ex-gratia recognition as it may think fit whenever in its opinion such recognition is justified having regard to all the circumstances of the case.

11. Without prejudice to its rights under this Clause, the company is prepared in special cases to consider requests from the Managing Director for permission to publish original papers, in an appropriate form, whenever in the opinion of the company the subject matter thereof is calculated to be of benefit to the community.
12. In these Clauses, the expression “the Managing Director” includes the Managing Director’s personal representatives, and the expression “invention” includes any new or improved substance, material, plant, machinery or apparatus produced or capable or being produced by manufacturer, any new or improved method or process of manufacture, or of testing or of sampling and any discovery in a field of science or applied technology.

Sri Anil Khurana satisfy all the conditions set out in Part-1 of Schedule V to the act as also conditions set out in under sub-section (3) of Section 196 of the Companies Act, 2013 for being eligible for his re-appointment.

The above may be treated as a written memorandum setting out terms of re-appointment of Sri Anil Khurana under Section 190 of the Companies Act, 2013.

None of the directors/ Key Managerial Personnel of the company or their relatives except Sri Anil Khurana is interested in the above resolution.

The Board, therefore, recommends the ordinary resolution for approval by the members.

Item no.6:

The Board, on the recommendations of the Audit Committee, has approved the appointment of M/s GNV and Associates as Cost Auditor at a remuneration of Rs.50,000/- plus applicable taxes plus reimbursement of out-of-pocket expenses incurred for the Audit at actuals to conduct the audit of the cost records of the Company for the financial year ending March 31, 2017.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration as payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors, has to be ratified by the members of the Company.

None of the Directors/ Key Managerial Personnel or their relatives are interested in the above resolution.

The Board, therefore, recommend the ordinary resolution for approval by the members.

By order of the Board of Directors
For Petronet MHB Ltd.



Sachin Jayaswal
Company Secretary

Regd. Office : 332, Queens Road,
Darus Salam Building (1st Floor)
Bangalore - 560052

Date : 26.08.2016

BOARD'S REPORT

TO THE MEMBERS

Your Directors take pleasure in presenting to you the 18th Annual Report on the working of your Company, together with the Audited Accounts of the company for the year ended 31st March 2016.

It is a matter of great pleasure that the Company completed thirteenth year of successful business operations during 2015-16 and achieved highest thruput of 3.318 MMT. Your company recorded about 12.54% growth in gross revenue earnings amounting to Rs. 163.46Cr. compared to Rs. 145.25Cr. during 2014-15.

OPERATIONAL HIGHLIGHTS:

Your company achieved a 5.64% growth in thruput of 3.318 MMT during the year 2015-16 compared to 3.141 MMT achieved during 2014-15. This is also the highest thruput achieved in a year since commissioning of the pipeline.

The details of thruput handled at Hassan and Devangonhi are as follows:

(Figures in MMT)

Year	Hassan Delivery	Devangonhi Delivery	Total Delivery
2015-16	2.730	0.588	3.318
2014-15	2.605	0.536	3.141

Your Company, during the year 2015-16 has achieved:

- Energy consumption of 98.00BTU/MT - KM (Standard for pipeline operations is 50 BTU to 135 BTU).
- Power cost per MT - KM of 19.37 paise which is reasonable.
- Operating cost of 43.00 paise / MT-KM which is reasonable.
- Revenue Contribution per employee of approx. Rs.5.45 Cr.
- Capacity utilization of pipeline at 155 % with respect to applicable capacity of 2.143 MMTPA as compared to capacity utilization of 146 % during 2014-15.

ACHIEVEMENTS DURING 2015-16:

- The Pipeline achieved a throughput of 3.318 MMT which is the highest since inception, the previous highest being 3.141 MMT in 2014-15.
- The operational revenue earned is Rs. 123.83 Cr. as against Rs. 107.08 Cr. in 2014-15.
- The total Revenue including interest & other income is Rs. 163.46 Cr. as against Rs. 145.25 Cr. in 2014-15.
- Audit of Operations during 2015-16:

- Recertification Audit of IMS system of PMHBL. QMS 9001 - 2008, EMS 14001 - 2004 & OHSAS 18001- 2007 recertified for three years.
- External Safety Audit of pipeline & stations carried out in Feb 2016.
- Offsite Mock drill conducted successfully at Ch. 30.00 Km of PMHBL Mangalore Jurisdiction in close coordination with District Authorities, Factories Authorities, Department of Fire & Emergency Services, Police Officials and mutual aid members.
- PMHBL ERDMP manual duly certified by PNGRB approved Third Party Inspection Agency is adopted for implementation. The certificate is valid for next 05 years from 05.12.2015 i.e. upto 04.12.2020.
- Pigging of the pipeline:
 - Magnetic pigging, Electronic Geometry Pigging and profile pigging of Neriya - Hassan 24 Inch section was carried out successfully.
 - Electronic Geometry pigging for Intermediate Pigging station - Devangonhi section carried out successfully.
 - Intelligent pigging along with XYZ mapping activity of Mangalore - Neriya and Neriya - Hassan pipeline section carried out successfully.

FINANCIAL HIGHLIGHTS:*Rs. in Crore.*

Description	Year 2015-16	Year 2014-15	Year 2013-14
Thruput (MMT)	3.318	3.141	3.073
Income From Operations	123.83	107.08	103.97
Interest On FD & Other Income	39.63	38.17	27.42
Total Income	163.46	145.25	131.39
Operating & The Other Expenses	28.59	26.87	23.07
Operating Profit	134.87	118.38	108.32
Recompense to Lenders	31.89	51.30	0.00
Operating Profit After Interest	102.98	67.08	108.32
Depreciation	8.47	15.52	50.58
Profit/(loss) Before Exceptional & Extraordinary Items	94.51	51.56	57.74
Prior Period Adjustment (expenses - Arrear Depreciation)	---	---	3.73
Exceptional Items - Income	0.21	---	---
Profit Before Tax (PBT)	94.72	51.56	54.01
Current Tax	(28.36)	---	---
Deferred Tax (net)	(4.21)	(17.47)	(15.62)
Profit After Tax (PAT)	62.15	34.09	38.39
Accumulated Profit /(Losses)	31.34	(30.81)	(64.90)

PIPELINE TARIFF FIXATION:

PNGRB vide its order dated 03.03.2015 has fixed Pipeline transportation tariff with effect from 20.12.2014 for a further transition period of two years which is about 15% more than the previous tariff. The tariff has been further revised with effect from 01.04.2015 by PNGRB vide its order dated 19.05.2015 which is about 2% less than tariff fixed vide order dated 03.03.2015. The above tariff is valid till 19.12.2016.

CORPORATE DEBT RESTRUCTURING:

The Zero Coupon Bonds issued to the lenders after the debt restructuring of the company in the year 2006 has been redeemed in full. Discussions are on with the lenders towards exit of the Company from CDR after payment of recompense amount to lenders.

CHANGE IN SHAREHOLDING:

4,33,40,040 Equity Shares (7.9%) held by one of the promoters of the Company, M/s Petronet India Ltd. in Petronet MHB Ltd. has been transferred in Aug. 2016 to two other promoters viz. M/s HPCL & M/s ONGC pursuant to MOP&NG directive.

DIVIDEND

With a view to conserve resources of the Company, the Directors are not recommending any Dividend.

RESERVES:

The Company has not transferred any funds to Reserves during the year.

DEPOSITS:

The Company has not accepted/renewed any deposits during the year under consideration.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURE:

In terms of Rules 5 (2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in the said rules are to be provided in the Annual Report.

None of the employees are attracting the provisions of Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL), ACT 2013.

There were no complaints received under the Act during 2015-16.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties.

VIGIL MECHANISM

Though Vigil Mechanism is not mandatory to the Company as per the Provisions of the Companies Act, 2013, however, pursuant to the MOP&NG guidelines dated 19.11.2013, Vigilance Administration has been entrusted to the Vigilance Department of HPCL.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility Committee has formulated and recommended to the Board, a corporate Social Responsibility Policy indicating the activities to be undertaken by the Company, which has been approved by the Board.

The company has identified the following five thrust areas:

1. Promoting health care and sanitation
2. Promoting education, employment enhancing vocation skills and livelihood enhancement project
3. Promoting Women Empowerment
4. Promoting Environmental Sustainability & conservation of Natural Resources
5. Promoting Rural Development in alignment with other thrust areas.

The Annual report on CSR Expenditure is as follows:

Average net profit of the Company for last three financial years:	Rs.47.09 Cr.
Prescribed CSR Expenditure: Two percent of Rs. 47.09 Cr.	Rs. 0.94Cr.
CSR Expenditure:	Rs. 0.71 Cr.
Shortfall in CSR expenditure	Rs. 0.23Cr.

Reasons for shortfall in expenditure:

During the year the Company, based on the needs of the local community, has undertaken a number of CSR initiatives like Borewell for drinking water in Panchayat, School Bags, Nali Kali tables for school children, Books for library, High mast street light, Cupboard & Chairs for Schools, Toilet in Aanganwadi, Bus stop shelter etc. On these activities a sum of Rs. 0.71 Cr. have been spent. Some of these activities, started during 2015-16 are in the process of being implemented. Therefore an amount of Rs. 0.23 Cr. is carried over for expenditure during FY 2016-17.

Manner in which the amount has been spent during the financial year is detailed in **Annexure I**.

RISK MANAGEMENT

In its effort to provide an Enterprise Risk Management framework, Risk management Policy has been approved by the Board effective 06.08.2016 and is under implementation.

INTERNAL FINANCIAL CONTROLS

The Company has adequate internal financial controls in place with reference to financial statements and are adequate and operating effectively. The Internal Auditors, during Financial

Year 2015-16 have verified the Financial Controls and have found them to be adequate. The recommendations of Internal Auditors for further strengthening the financial control is under review for implementation.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors State that:

- (i) In the preparation of the Annual Accounts for the financial year ended 31st March 2016, the applicable Accounting Standards read with requirements set out under Schedule III to the Act, have been followed along with proper explanation relating to material departures, if any;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company as at 31st March 2016 and of the Profit or Loss of the Company for the year ended on that date;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts on a 'going concern' basis;
- (v) The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems are adequate and operating effectively.

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

The Board of your company presently comprises of following seven Directors:

1. Sri Kumar Hariharan, Chairman, PMHBL
2. Sri A.B. Thosar, Director, PMHBL
3. Sri S.K. Gupta, Director, PMHBL
4. Sri Venkatesh Madhava Rao, Director, PMHBL (wef 18.05.2015)
5. Sri S.P. Gupta, Director, PMHBL (wef 20.07.2015)
6. Ms. Vanita Kumar, Woman Independent Director, PMHBL (wef 12.08.2015)
7. Sri Anil Khurana, Managing Director, PMHBL

As per Section 152 of the Companies Act, 2013, Sri Kumar Hariharan & Sri S.K. Gupta are the Directors who will retire by rotation at the next AGM and are eligible for reappointment.

Changes in Directorship

Sri Venkatesh Madhava Rao, has been nominated by ONGC on PMHBL Board in place of Sri S. Ramachandran who has submitted resignation from the Directorship of the Company wef

14.05.2015. Sri Venkatesh Madhava Rao has been appointed as Director with effect from 18.05.2015.

Sri S.P. Gupta has been nominated by HPCL on PMHBL Board in place of Sri J. Ramaswamy who has submitted resignation from the Directorship of the Company wef 14.07.2015. Sri S.P. Gupta has been appointed as Director with effect from 20.07.2015.

Ms. Vanita Kumar has been inducted as Woman Independent Director on the Board wef 12.08.2015.

The Board places on record deep appreciation for valuable contribution made by Sri S. Ramachandran, and Sri J Ramaswamy during their respective tenure as Director of the Company.

Independent Directors

Ms. Vanita Kumar has been inducted as Woman Independent Director on the Board wef 12.08.2015.

The Company has received declaration from the Independent Director of the Company confirming that she meets the criteria of independence as prescribed under the Companies Act, 2013.

The Company is in the process of identifying one more suitable candidate for appointment as Independent Director on the Board of the Company.

Key Managerial Personnel:

In line with Section 203 of the Companies Act, 2013, Sri Anil Khurana, Managing Director, Sri Chandan Kumar Das, CFO and Sri Sachin Jayaswal, Company Secretary are the Key Managerial Personnel.

PERFORMANCE EVALUATION OF BOARD:

The Company has framed a Policy for performance evaluation of Independent Directors, Board, its committees and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive directors. The evaluation is being done as per the policy.

BOARD MEETING DETAILS

Five meetings of the Board of Directors were held during the financial year 2015-16 on 07.05.2015, 03.08.2015, 24.09.2015, 12.12.2015 & 13.02.2016. The details of the Directors' attendance are as follows:

Sl. No.	Name of Director	No. of Board meetings held during respective tenure during 2015-16	No. of Board meetings attended during 2015-16
1.	Sri H. Kumar	5	5
2	Sri A.B. Thosar	5	5
3	Sri S.K. Gupta	5	5
4	Sri Venkatesh M Rao (From 18.05.2015)	4	4
5	Sri S.P. Gupta (From 20.07.2015)	4	4
6	Ms. Vanita Kumar (From 12.08.2015)	3	3
7	Sri Anil Khurana	5	5
8	Sri S. Ramachandran(till 14.05.2015)	1	1
9	Sri J. Ramaswamy (till 14.07.2015)	1	1

COMPANY POLICY ON DIRECTORS APPOINTMENT, REMUNERATION ETC.

As per Annexure IIA and IIB

ANNUAL GENERAL MEETING DETAILS

Year	Date
2015	24 th Sep.2015
2014	26 th Sep. 2014
2013	24 th Sep. 2013

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Audit Committee of the company presently comprises of three directors namely Sri S.P. Gupta (Chairman), Sri S.K. Gupta & Sri A. B. Thosar. The Audit Committee, at the meeting held on 06.05.2016 reviewed the Accounts for the year 2015-16, before the Accounts were adopted by the Board.

Four meetings of the Audit Committee were held during 2015-16 on 07.05.2015, 03.08.2015, 23.11.2015 & 12.02.2016.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee of the company presently comprises of four directors namely Sri Venkatesh M Rao (Chairman), Sri A. B. Thosar, Ms. Vanita Kumar & Sri Anil Khurana.

Four meetings of the CSR Committee were held during 2015-16 on 21.04.2015, 03.08.2015, 15.10.2015 & 21.01.2016.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee presently comprises of four Directors namely Sri A.B. Thosar (Chairman), Sri Venkatesh Madhava Rao, Ms. Vanita Kumar and Sri S.K. Gupta.

Four meetings of the Nomination and Remuneration Committee were held on 07.05.2015, 03.08.2015, 23.11.2015 & 13.02.2016.

PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN AND SECURITIES PROVIDED:

NIL

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

AS PER ANNEXURE III

AUDITORS

Comptroller and Auditor General of India

NIL Comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act, 2013 has been received for the year 2015-16.

Statutory Auditors

The Comptroller and Auditor General of India (CAG) have appointed M/s GRSM & Associates, Chartered Accountants, Bangalore as Statutory Auditors of your Company for the year 2015-16 in place of M/s Acharya & Company, Chartered Accountants and they audited the Accounts for the year 2015-16. At the 17th AGM of the Company, the Board was authorized to fix the remuneration of the Statutory Auditor for the Financial Year 2015-16. The Board have fixed a remuneration of Rs. 1,50,000/- plus out of pocket expenses plus service tax at applicable rate for the Statutory Auditor for the Financial Year 2015-16.

Cost Auditors

M/s GNV & Associates, has been appointed as Cost Auditor for the financial year 2015-16 pursuant to Section 148 of the Companies Act 2013 & Companies (Cost Audit records and Audit) Rules, 2014 at a remuneration of Rs. 50000/- plus service tax plus out of pocket expenses.

Secretarial Auditors

The Board has appointed M/s V. Sreedharan and associates to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith marked as **Annexure IV** to this Report. The explanation of the Board of Directors on the remarks made by the Secretarial Auditor is annexed herewith marked as **Annexure V**.

Extract of Annual Return:

Extract of Annual Return of Annual Return is annexed herewith as **Annexure VI** to this Report.

INDUSTRIAL RELATIONS

- Industrial relations in all the Stations and Head Office continued to be cordial during the year.
- The company continues its emphasis on human resource development through training in various fields connected with the operations.

- Compliance of safety rules, norms and procedures is ensured and closely monitored. Seminars on Safety are regularly held to educate the workers. Safety week & environmental day was observed.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation to the valued customers for the support and confidence reposed by them in the Company.

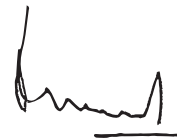
Your Directors take this opportunity to gratefully acknowledge the continuous support, guidance and assistance provided by MOP & NG Officials, Petroleum & Natural Gas Regulatory Board, State Govt. Officials, the Management of the promoter companies- PIL, HPCL & ONGC and support rendered by the Lender Bankers and CDR Cell/ Empowered Group.

Your Directors also wish to place on record their appreciation of the continued cooperation received from OMCs, MRPL, all suppliers and financial institutions. Your Directors are also thankful to all the shareholders & employees and wish to express their appreciation to all the members of PMHBL family, whose dedication, hard work and cooperation have made it possible for the Company to show improved performance.

For and on behalf of the Board of Directors

Place: Bekal

Date: 06.08.2016



**Sd/-
(KUMAR HARIHARAN)
CHAIRMAN**

Annexure I**Details of amount spent on CSR activity during FY 2015 -16**

1	2	3	4	5	6	7	8	9
SL No.	PMHBL Location	CSR Project or Activity Identified	Sector in which the Project is Covered	Project Programs(1) Local Area or Other (2) Specify the State and District where Projects or Programs was Undertaken	Amount - (Rs. Lacs) - Outlay (Budget) Project or Programs wise	Amount Spent on the Projects or Programs Sub - heads (1) Direct Expenditure on Projects or Programs (2) Overheads	Cumulative Expenditure upto the Reporting Period	Amount Spent : Direct or through Implementing Agencies
1	Mangalore	Bore well	Cl. (i) Making available Safe Drinking Water	Karnataka - Mangalore	16.50	8.35	8.35	Direct
2		Public Toilet	Cl. (i) Sanitation	Karnataka - Mangalore	22.00	11.85	11.85	Direct
3		Bus Stand	Cl. (x) Rural Development Project	Karnataka - Mangalore	4.50	2.67	2.67	Direct
4		School Bags, Note Books, Pen Kit etc.	Cl. (ii) Promoting Education	Karnataka - Mangalore	3.07	3.20	3.20	Direct
5		Free Medical Camp	Cl. (i) Health Care	Karnataka - Mangalore	1.00	0.19	0.19	Direct
6	Neriya	High Mast Light Pole	Cl. (x) Rural Development Project	Karnataka - Dakshin Kannada	5.25	3.55	3.55	Direct
7		UPS	Cl. (x) Rural Development Project	Karnataka - Dakshin Kannada	0.25	0.35	0.35	Direct
8		Hospital Laundry Washing Machine	Cl. (i) Health Care	Karnataka - Dakshin Kannada	7.00	8.01	8.01	Direct
9		School Bags, Note Books, Pen Kit etc.	Cl. (ii) Promoting Education	Karnataka - Dakshin Kannada	5.55	4.60	4.60	Direct
10		Free Medical Camp	Cl. (i) Health Care	Karnataka - Dakshin Kannada	1.00	0.36	0.36	Direct
11	Hassan	School Bags, Note Books, Pen Kit etc.	Cl. (ii) Promoting Education	Karnataka - Hassan	3.95	3.65	3.65	Direct
12		Supply of Library Book	Cl. (ii) Promoting Education	Karnataka - Hassan	5.77	3.24	3.24	Direct
13		Supply of Kent Water Purifier	Cl. (i) Making available Safe Drinking Water	Karnataka - Hassan	10.20	8.64	8.64	Direct
14		Free Medical Camp	Cl. (i) Health Care	Karnataka - Hassan	1.00	1.34	1.34	Direct
15	Devangonthi	School Bags, Note Books, Pen Kit etc.	Cl. (ii) Promoting Education	Karnataka - Bangalore Rural	4.10	3.29	3.29	Direct
16		Water Filters	Cl. (i) Making available Safe Drinking Water	Karnataka - Bangalore Rural	0.85	0.42	0.42	Direct
17		School Furniture	Cl. (ii) Promoting Education	Karnataka - Bangalore Rural	33.96	5.69	5.69	Direct
18		Sports Equipment	Cl. (ii) Promoting Education	Karnataka - Bangalore Rural	0.90	1.54	1.54	Direct
19		Free Medical Camp	Cl. (i) Health Care	Karnataka - Bangalore Rural	1.00	0.00	0.00	Direct
				Grand Total	127.85	70.94	70.94	

Responsibility Statement

The Responsibility Statement of the Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company is reproduced below:

'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.'

Sd/-

Anil Khurana
Managing Director

Sd/-

Venkatesh M Rao
Chairman, CSR Committee

Annexure IIA

Policy for Selection of Directors and determining their independence:

The Nomination and Remuneration Committee and the Board, shall review on an annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience that are relevant for the Company's operations. Based on the review the Committee/ Board shall formulate the skills, knowledge and experience to be possessed by the Independent Director on case to case basis.

The Nomination and Remuneration Committee shall assess the independence of Directors at the time of appointment / re-appointment and the Board shall assess the same periodically. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director. In addition the Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013 and should satisfy the criteria of independence, as laid down in Companies Act, 2013

Annexure IIB

Remuneration Policy for Directors, Key Managerial Personnel and other employees.

Executive Directors:

The Committee after deliberations noted that there is only one executive Director in the Company - MD, PMHBL whose Remuneration is governed by the terms of Deputation as advised by M/s HPCL.

Non-Executive Directors:

The Committee noted that all non-executive Directors on the Board are executives of PSU ie M/s ONGC/ HPCL/ MRPL and are neither eligible for sitting fee nor any other remuneration from the Company.

Independent Directors:

The Independent Directors shall be entitled to sitting fees for attending the meetings of the Board and the Committees thereof as per following details:

- Rs. 10000/- per day for meeting of Board of Directors
- In case Committee meetings are on the same day as Board meeting, No sitting fee for the Committee meeting. Otherwise Rs. 5000/- per day for Committee meeting.

Remuneration to KMP and other employees:

KMP and other employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the approved grade and shall be based on various factors such as job profile, skill sets, seniority, experience etc.

Annexure III
PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014
A. ENERGY CONSERVATION:

- Optimum usage of modified mainline pumps at Mangalore as per thruput requirement to minimise the power consumption.
- HT motor Space heater modified at Mangalore with auto cut off and cut in during booster and mainline motors operations and shutdown.
- Battery bank replacement at Main & SV stations with more efficient & higher backup batteries.
- Phasing out conventional lighting with LED lighting at Neriya, SV3 & SV4 stations.
- Energy consumption of 98.00BTU/MT - KM (Standard for pipeline operations is 50 BTU to 135 BTU).
- Power cost per MT - KM of 19.37 paise which is reasonable.
- Operating cost of 43.00 paise / MT-KM which is reasonable.
- The Company is taking steps for utilization of alternate sources of energy and have started used of solar lights at one of the SV station on trial basis.

B. TECHNOLOGY ABSORPTION:

- Telecom Upgradation with Ethernet Communication channel between SV to main Stations to improve the data & video transfers speed.
- Programmable logic controls system (PLC) installed at Devangonathi Receipt station for operational flexibility and robust safety controls.
- One set of Flow computers replaced at all four locations of PMHBL with higher accuracy, improved response time and advanced communication features.
- Electromechanical type Motpro relay replaced with advanced Numerical type Motor Protection relays at Mangalore & Neriya station with additional protection features.
- Capacitor Bank Emergency shutdown systems introduced at Mangalore, Neriya & Hassan stations for enhanced electrical safety.
- Import of technology - Nil
- Expenditure incurred on Research & Development - Nil

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

During the year, the Foreign Exchange earning & outgo was as follows:

Particulars	Amount in Rs.
Foreign exchange earning	NIL
Foreign exchange outgo	50,47,007

Annexure IV**Form No. MR-3
SECRETARIAL AUDIT REPORT**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED: 31.03.2016

To,
The Members
Petronet MHB Limited
No. 332, Darus Salam Building,
1st Floor, Queens Road,
Bangalore-560 052

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Petronet MHB Limited**. (hereinafter referred to as "**the company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year ended March 31, 2016 (hereinafter referred to as "**the audit period**") complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2016 according to the provisions of:

- i. The Companies Act, 2013 (**the Act**) and the rules made thereunder;
- ii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not applicable to the company during the audit period)
- iii. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing. (Not applicable to the company during the audit period)
- iv. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the company during the audit period)
- v. Other laws applicable specifically to the Company namely:-
 - i. Water (Prevention and Control of Pollution) Act, 1974 with rules

- ii. Air (Prevention and Control of Pollution) Act, 1987 with rules
- iii. Water (Prevention and Control of Pollution) Act, 1977 with rules
- iv. Noise Pollution (Regulation and Control) Rules, 2000
- v. The Public Liability Insurance Act, 1991
- vi. Batteries Management & Handling Rules, 2001
- vii. Petroleum Act, 1934 and rules made thereunder
- viii. Manufacture, Storage and Import of Hazardous Chemical Rules, 1989
- ix. Petroleum and minerals pipelines (Acquisition of right of user inland) Act, 1962 with rules
- x. Petroleum and Natural Gas Regulatory Board Act, 2006 with rules.
- xi. The Hazardous Waste Management & Handling) Rules, 1989
- xii. Forest (Conservation) Act, 1980
- xiii. The Contract Labour (Regulation and Abolition) Act, 1970
- iv. Factory Act, 1948
- v. Sexual Harassment of Women at Workplace(Prevention and Prohibition and Redressal) Act, 2013
- vi. The Central Motor Vehicles Rules, 1989

We have also examined compliance with the Secretarial Standards (SS-1) on meetings of the Board of Directors and Secretarial Standards (SS-2) on General Meetings issued by the Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above except for the following:

The Company has not appointed an Independent Director as required under Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and qualification of Directors) Rules, 2014.

The Company being an unlisted public company during the audit period, the following Acts, Rules, Guidelines and Regulations were not applicable:

- i. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- ii. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have not examined compliance by the Company with respect to:

- (a) Applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.
- (b) Listing Agreement with the Stock Exchange(s), as the company is an Unlisted Public Company.

We further report that

The constitution of the Board of Directors of the Company and the balance of Executive Directors, Non-Executive Directors and Independent Directors is subject to our remarks above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

We further report that based on the statutory compliance reports obtained by the management and taken on record at the board meetings, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there were no events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, etc.

Date: 06.08.2016

For V.Sreedharan & Associates

Place: Bangalore

Sd/-
V.Sreedharan
Partner
F.C.S-2347: C.P.833

Annexure V

Explanation to the comments made by the Secretarial Auditor in their Audit Report:

The Board of Directors is in the process to appoint one more Independent Director on the Board of the Company and the appointment is expected to be made soon. Upon the appointment of another Independent Director, the Constitution of the Board of Directors and its committees would change as per statutory requirements

Annexure VI

**Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on March 31, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN: - U85110KA1998PLC024020
- ii) Registration Date: 31-07-1998
- iii) Name of the Company: Petronet MHB Limited
- iv) Category / Sub-Category of the Company: Public Company/ Limited by Shares
- v) Address of the Registered office and contact details: 332, Darus Salam building, 1st Floor, Queens Road, Bangalore 560052
Tel: 080-22262317
Fax: 080-22262243
- vi) Whether listed company Yes / No: No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: Integrated Enterprises (India) Limited
5A, 5th Floor, Kendes Towers, 1, Rama Krishna Street, North Usman Road T. Nagar, Chennai -600 017
Contact - 044 - 28144826 (Fax)
044 - 28143045 / 46

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl.No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Transportation of petroleum products through underground pipeline	493	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING / SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
1	NIL				
2	NIL				

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters (1) Indian a) Individual/HUF b) Central Govt c) State Govt (s) d) Bodies Corp. e) Banks / FI f) Any Other....	315552000	43470040	359022040	65.43	315552000	43470040	359022040	65.43	NIL
Sub-total (A) (1):	315552000	43470040	359022040	65.43	315552000	43470040	359022040	65.43	NIL
(2) Foreign a) NRIs - Individuals b) Other - Individuals c) Bodies Corp. d) Banks / FI e) Any Other....	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	315552000	43470040	359022040	65.43	315552000	43470040	359022040	65.43	NIL
B. Public Shareholding 1. Institutions a) Mutual Funds b) Banks / FI c) Central Govt d) State Govt(s)	189685184	NIL	189685184	34.57	189685184	NIL	189685184	34.57	NIL

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
e) Venture Capital Funds f) Insurance Companies g) FIs h) Foreign Venture Capital Funds i) Others (specify)									
Sub-total (B)(1):	189685184	NIL	189685184	34.57	189685184	NIL	189685184	34.57	NIL
2. Non-Institutions a) Bodies Corp. i) Indian ii) Overseas b) Individuals i) Individual share holders holding nominal share capital upto Rs. 1 lakh ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh c) Others (specify)	NIL	40	40	negligible	NIL	40	40	negligible	NIL
Sub-total (B)(2):	NIL	40	40	negligible	NIL	40	40	negligible	NIL
Total Public Share holding (B)=(B)(1) + (B)(2)	189685184	40	189685224	34.57	189685184	40	189685224	34.57	NIL
C. Shares held by Custodian for GD Rs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+b+C)	505237184	43470080	548707264	100	505237184	43470080	548707264	100	NIL

(ii) Shareholding of Promoters

Sl No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	<i>Petronet India Ltd.</i>	43340040	7.89	NIL	43340040	7.89	NIL	NIL
2	<i>Hindustan Petroleum Corporation Ltd.</i>	157841000	28.77	NIL	157841000	28.77	NIL	NIL
3	<i>Oil and Natural Gas Corporation Ltd.</i>	157841000	28.77	NIL	157841000	28.77	NIL	NIL
	<i>Total</i>	359022040	65.43	NIL	359022040	65.43	NIL	NIL

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat	No Change in Promoters Shareholding during 2015-16			
	At the End of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Name	Shareholding at the beginning of the year		Date	Increase/ decrease in Shareholding	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company			No. of shares	% of total shares of the company
1	Vijaya bank	26884977	4.9		NIL	26884977	4.9
2	Punjab National bank	26870077	4.9		NIL	26870077	4.9
3	State Bank of Travancore	23271303	4.24		NIL	23271303	4.24
4	Allahabad Bank	17887247	3.26		NIL	17887247	3.26
5	Bank of Maharashtra	17873769	3.25		NIL	17873769	3.25
6	Canara Bank	17873652	3.25		NIL	17873652	3.25
7	State Bank of Hyderabad	17852064	3.25		NIL	17852064	3.25
8	Union Bank of India	17145728	3.12		NIL	17145728	3.12
9	Central Bank of India	15047174	2.74		NIL	15047174	2.74
10	State Bank of Mysore	8939273	1.63		NIL	8939273	1.63
Total			34.54				34.54

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name	Shareholding at the beginning of the year		Date	Increase/decrease in Shareholding	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company			No. of shares	% of total shares of the company
1	Sri A.B. Thosar	10	negligible			10	negligible
2	Sri Anil Khurana	10	negligible			10	negligible
3							
4							
5							
6							
Total		20				20	

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits (ZCB)	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-----	-----	-----	-----
i) Principal Amount	-----	-----	-----	-----
ii) Interest due but not paid	-----	-----	-----	-----
iii) Interest accrued but not due	-----	-----	-----	-----
Total (i+ii+iii)	-----	-----	-----	-----
Change in Indebtedness during the financial year				-----
- Addition	-----	-----	-----	
- Reduction				
Net Change	-----	-----	-----	-----

	Secured Loans excluding deposits (ZCB)	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the end of the financial year	-----	-----	-----	-----
i) Principal Amount	-----	-----	-----	-----
ii) Interest due but not paid	-----	-----	-----	-----
iii) Interest accrued but not due	-----	-----	-----	-----
Total (i+ii+iii)	-----	-----	-----	-----

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	25,79,288	25,79,288
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	13,37,214	13,37,214
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2	Stock Option	-----	-----
3	Sweat Equity	-----	-----
4	Commission - as % of profit - Others, specify...	-----	-----
5	Others, (PF & Other Contributions)	6,97,837	6,97,837
	Total (A)	46,14,339	46,14,339
	Ceiling as per the Act	4,75,94,833	4,75,94,833

B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of Directors	Total Amount
1	Independent Directors - Fee for attending board / committee meetings - Commission - Others, please specify	-----	-----
	Total (1)	-----	-----
2	Other Non-Executive Directors - Fee for attending board / committee meetings - Commission - Others, please specify	-----	-----
	Total (2)	-----	-----
	Total (B)=(1+2)	-----	-----
	Total Managerial Remuneration	46,14,339	46,14,339
	Overall Ceiling as per the Act	4,75,94,833	4,75,94,833

C. Remuneration to Key managerial Personnel other than MD/ Manager/ WTD

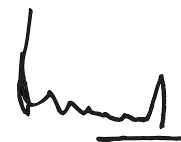
Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total Amount
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-----	12,03,051	12,27,755	24,30,806
2	Stock Option	-----	-----	-----	-----
3	Sweat Equity	-----	-----	-----	-----
4	Commission - as % of profit - others, specify...	-----	-----	-----	-----
5	Others, please specify	-----	-----	-----	-----
	Total (A)	-----	12,03,051	12,27,755	24,30,806
	Ceiling as per the Act	-----	-----	-----	-----

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----
B. DIRECTORS					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----
C. OTHER OFFICERS IN DEFAULT					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----

For and on behalf of the Board of Directors

DATE: 06.08.2016



(KUMAR HARIHARAN)
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

To the Members of Petronet MHB Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Petronet MHB Limited ('the Company'), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the

Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**", a statement on the matters specified in the paragraph 3 and 4 of the order.
- 2) We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the "**Annexure B**" on the directions and sub-directions issued by Comptroller and Auditor General of India.
- 3) As required by Section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure C**"; and
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note No. 29 to the financial statements;
- ii) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For GRSM & Associates
Chartered Accountants,
FRN: 000863S

BENGALURU
Date: May 17, 2016

Sd/-
V. MADHAVAN
Partner
M.No.028113

Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- (b) According to information and explanations given to us, fixed assets have been physically verified by the management once, towards the end of the year. We are informed that there were no material discrepancies were noticed during such physical verification. Detailed work sheets for comparison of such physical verification with the fixed assets register to ascertain discrepancies have not been maintained. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets but the method of conducting physical verification needs to be strengthened.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are not held in the name of the Company in few cases. In respect of land allotted by KIADB:
 - i. In the case of land worth Rs.29,58,689/- lease cum sale agreements were entered into and the absolute sale deed has not been executed as yet, though the lease term has expired
 - ii. In the case of certain other land, though Possession Certificates are held, Lease cum Sale Agreements are not entered into. Amount paid towards these land, is lying in advances and are yet to be capitalised.
- ii. The Company is a service company, primarily rendering transportation of petroleum products. Accordingly, it does not hold any physical inventories other than stores, spares and project surplus. The management has conducted physical verification of such inventories at the end of the year. No material discrepancies were noticed during such verification. However, in our opinion, the method of conducting physical verification of inventories can be strengthened.
- iii. The Company has not granted any loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments or guarantees made by the Company attracting the provisions of section 185 and 186 of the Act.
- v. The Company has not accepted any deposits from the public.

- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014 prescribed by the Central Government under Section 148(1)(d) of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed accounts and cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii.
- (a) According to the information and explanations given to us and on the basis of our examination of the records, the company is regular in depositing undisputed statutory dues including provident fund, income-tax, service tax, duty of customs, value added tax and cess to the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance and duty of excise. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there are no material dues of income tax or service tax or duty of customs or value added tax which have not been deposited on account of any dispute.
- viii. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **GRSM & Associates**
Chartered Accountants,
FRN: 000863S

BENGALURU
Date: May 17, 2016

Sd/-
V. MADHAVAN
Partner
M. No. 028113

Annexure - B to the Auditors' Report

Annexure referred to in our report of even date to the members of Petronet MHB Limited on the accounts for the year ended 31st March 2016

1. **Direction:** - Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available.

Observation: - No. Detailed information is provided below:

<i>Location</i>	<i>Extent of Holding</i>	<i>Remarks</i>
<u>Freehold Land</u>		
Sectional Valve (SV) - 1 station land-Mogar, Mangalore Taluk	0.4 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be registered. Lease term has expired and Absolute Sale Deed yet to be executed.
SV - 5 station land-Hantanamane, Alur Taluk	0.15 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be registered. Lease term has expired and Absolute Sale Deed yet to be executed.
SV - 6 station land-Kalenahalli, Chennarayapatna Taluk	0.15 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be registered. Lease term has expired and Absolute Sale Deed yet to be executed.
SV - 7 station land-Karikyatanahalli, Chennarayapatna Taluk	0.2 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be registered. Lease term has expired and Absolute Sale Deed yet to be executed.
SV - 8 station land-Jeddigere, Kunigal Taluk	0.15 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be executed.
IP Station land-Kurudihalli, Kunigal Taluk	1 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be executed.
SV - 9 station land-Ennegere, Magadi Taluk	0.15 Acres	Possession Certificate Available. Lease Cum Sale Agreement with KIADB is yet to be executed.

	<i>Extent of Holding</i>	<i>Remarks</i>
Neriya station land Neriya, Beltangady Taluk	4.85 and 2.9 Acres	Lease Cum Sale Agreement with KIADB Executed. Lease Term Expired and Absolute Sale Deed yet to be executed.
66 KV transmission line ROW at Hassan - KIADB	2.03 Acres	Lease Cum Sale Agreement with KIADB Executed. Lease Term Expired and Absolute Sale Deed yet to be executed.
<u>Leasehold Land</u>		
Mangalore	18.07 Acres	Lease Deed with Hindustan Petroleum Corp. Ltd., is yet to be executed. Lease Rental paid based on Minutes of Meeting dated 17-3-2003
Hassan	16.69 Acres	Lease Deed with Hindustan Petroleum Corp. Ltd., is yet to be executed. Lease Rental paid based on Minutes of Meeting dated 17-3-2003
Devangonthi	14.30 Acres	Lease Deed with Hindustan Petroleum Corp. Ltd., is yet to be executed. Lease Rental paid based on Minutes of Meeting dated 17-3-2003

2. **Direction:** Whether there are any cases of waiver/ write off of debt/ loans/ interest etc., if yes, the reasons therefor and the amount involved.

Observation: According to information and explanations given to us, there are no cases of waiver/ write off of debts/ loans/ interest etc.

3. **Direction:** Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant (s) from the Government or other Authorities.

Observation: According to the information and explanations provided by the management, there are no inventories lying with third parties. Further, the Company has not received any gift/ grant from the Government or other authorities during the year.

4. **Sub Directions:** - Nil

For **GRSM & Associates**
Chartered Accountants,
FRN: 000863S

Sd/-

V. MADHAVAN
Partner
M. No. 028113

BENGALURU
Date: May 17, 2016

Annexure - C to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Petronet MHB Limited (“the Company”) as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **GRSM & Associates**
Chartered Accountants,
FRN: 000863S

BENGALURU
Date: May 17, 2016

Sd/-
V. MADHAVAN
Partner
M. No. 028113

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF PETRONET MHB LIMITED FOR THE YEAR ENDED 31 MARCH 2016

The preparation of financial statements of Petronet MHB Limited for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 17.05.2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Petronet MHB Limited for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

**For and on the behalf of the
Comptroller & Auditor General of India**

Sd/-
(G. SUDHARMINI)
**Principal Director of Commercial Audit
and Ex-Officio Member Audit Board, Chennai**

Place: Chennai

Date: 15.07.2016

Balance Sheet as at 31st March 2016

(All amounts in Rs)

	Notes	As at 31st March 2016	As at 31st March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	5,487,072,640	5,487,072,640
Reserves and surplus	3	313,416,228	(308,091,683)
		5,800,488,868	5,178,980,957
Non Current liabilities			
Deferred tax liabilities (net)	4	-	-
Other long-term liabilities	5	78,440,862	77,666,912
Long Term Provisions	6	5,761,080	4,339,948
		84,201,942	82,006,860
Current liabilities			
Trade payables	7		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		38,497,471	34,331,638
Other current liabilities	8	31,829,396	25,467,159
Short-term provisions	9	834,866,109	515,980,833
		905,192,976	575,779,630
TOTAL		6,789,883,786	5,836,767,447
Assets			
Non-current assets			
Fixed Assets	10		
Tangible assets		936,215,523	959,833,617
In Tangible assets		76,021,596	45,832,749
Capital work-in-progress		6,940,185	855,602
Deferred tax assets (net)	4	208,114,897	250,249,525
Long-term loans and advances	11	239,191,766	380,063,762
Other non current assets	12	26,315,445	30,037,387
		1,492,799,412	1,666,872,642
Current assets			
Inventories	13	97,855,886	96,950,904
Trade receivables	14	129,416,874	127,857,312
Cash and bank balances	15	4,913,144,633	3,749,585,958
Short term loans and advances	16	4,619,468	5,153,999
Other current assets	17	152,047,513	190,346,632
		5,297,084,374	4,169,894,805
TOTAL		6,789,883,786	5,836,767,447

Summary of significant accounting policies 1

The accompanying notes are an integral part of the financial statements.

As per our report of Even Date

For **GRSM & Associates**
Chartered Accountants
F.R.No. 000863S

For and on behalf of the Board
of Director of Petronet MHB Limited

Sachin Jayaswal
Company Secretary

V Madhavan
Membership No. 028113

S P Gupta
Director

Anil Khurana
Managing Director

Chandan Kumar Das
Chief Financial Officer

Place : Bangalore
Date : 17-05-2016

Place : Mangalore
Date : 16-05-2016

Statement Of Profit And Loss For The Year Ended 31st March 2016

(All amounts in Rs)

Particulars	Notes	Year Ended 31st March 2016	Year Ended 31st March 2015
Continuing Operations			
Income			
Revenue from operations(gross)	18	1,238,267,577	1,070,796,424
Other Income	19	396,319,440	381,713,314
Total Revenue (I)		1,634,587,017	1,452,509,738
Expenses			
Employee benefit expenses	20	39,157,230	35,168,869
Finance costs	21	318,905,537	514,413,866
Depreciation and amortization expense	10	84,698,259	155,249,786
Other Expenses	22	246,746,377	232,081,326
Total expenses (II)		689,507,403	936,913,847
Profit / (Loss) before exceptional items and tax (I-II) (III)		945,079,614	515,595,891
Exceptional items (IV)	23	2,151,308	-
Profit/(Loss) before tax (III+IV)		947,230,922	515,595,891
Tax expenses			
Current tax expense for current year		283,588,383	215,895,200
MAT Credit Entitlement		-	(215,895,200)
Deferred tax		42,134,628	174,690,553
Total tax expense		325,723,011	174,690,553
Profit/(Loss) for the period from continuing operations (A)		621,507,911	340,905,338
Discontinuing Operations			
Profit/(Loss) before tax from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) after tax from discontinuing operations (B)		-	-
Profit/(Loss) for the period (A+B)		621,507,911	340,905,338

Earnings per equity share [nominal value of share Rs. 10]

28

(a) Basic

1.13

0.62

(b) Diluted

1.13

0.62

Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements.

As per our report of Even Date

For **GRSM & Associates**
Chartered Accountants
F.R.No. 000863S

For and on behalf of the Board
of Director of Petronet MHB Limited

Sachin Jayaswal
Company Secretary

V Madhavan
Membership No. 028113

S P Gupta
Director

Anil Khurana
Managing Director

Chandan Kumar Das
Chief Financial Officer

Place : Bangalore
Date : 17-05-2016

Place : Mangalore
Date : 16-05-2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

PARTICULARS	For the year ended 31st March 2016		For the year ended 31st March 2015	
	Amount in Rs.	Amount in Rs.	Amount in Rs.	Amount in Rs.
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary/ exceptional items and tax		945,079,614		515,595,891
<u>Adjustments for:</u>				
Depreciation and amortisation	84,698,259		155,249,786	
Profit /loss on disposal of fixed asset	-		(46,644,932)	
Interest income on Deposits	(391,266,943)		(319,085,413)	
Interest on income tax	-		1,497,303	
Provision for Recompense	318,905,537	12,336,853	512,916,563	303,933,307
Operating Porfit/(loss) before working capital changes		957,416,467		819,529,198
<u>Changes in working capital:</u>				
<u>Adjustments for (increase) / decrease in operating assets:</u>				
Inventories	(904,982)		8,863,662	
Trade receivables	(1,559,562)		(20,019,800)	
Short term Loans and advance	534,531		(2,285,478)	
Long term Loans and advance	(8,503)		(121,280)	
Other current assets		-		-
Other non current assets	3,721,942		8,312,768	
<u>Adjustments for increase / (decrease) in operating liabilities:</u>				
Trade Payables	4,165,833		(3,295,719)	
Other Curret Liabilities	7,859,540		3,614,985	
Other long term Liabilities	773,950		(3,799,810)	
Short term provisions	(20,261)		(447,869)	
Long term provisions	1,421,132	15,983,620	669,072	(8,509,469)
Cash flow from exceptional items		2,151,308		-
Cash generated from operations		18,134,928		(8,509,469)
Net income tax (paid) / refunds		(142,707,884)		(194,500,555)
Net cash flow from / (used in) operating activities (A)		832,843,511		616,519,174
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(97,353,595)		(37,355,195)	
Proceeds from sale of fixed assets	-		85,674,318	
Bank balances not considered as Cash and cash equivalents				
- Placed	(72,404,234)		(63,900,000)	
- Matured	63,900,000		64,225,130	

PARTICULARS	For the year ended 31st March 2016		For the year ended 31st March 2015	
	Amount in Rs.	Amount in Rs.	Amount in Rs.	Amount in Rs.
Interest received - on Deposits	429,566,062	323,708,233	300,219,287	348,863,540
Cash flow from extraordinary items		-		-
Net cash flow from / (used in) investing activities (B)		323,708,233		348,863,540
C. Cash flow from financing activities				
Repayment of Zero coupon bonds (loans)	-		(94,875,200)	
Finance Costs	-		-	
- Recompense paid	-		-	
- Interest on Income Tax	(1,497,303)	(1,497,303)	(838,242)	(95,713,442)
Cash flow from extraordinary items		-		-
Net cash flow from / (used in) financing activities (C)		(1,497,303)		(95,713,442)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		1,155,054,441		869,669,272
Cash and cash equivalents at the beginning of the year		3,685,685,958		2,816,016,686
Effect of exchange differences on restatement of foreign currency Cash and cash equivalents		-		-
Cash and cash equivalents at the end of the year		4,840,740,399		3,685,685,958

Notes:

(i) Figures of previous year have been recast whereas necessary to confirm figure of current year

See accompanying notes forming part of the financial statements

As per our report of Even Date

For **GRSM & Associates**
Chartered Accountants
F.R.No. 0008635

For and on behalf of the Board
of Director of Petronet MHB Limited

Sachin Jayaswal
Company Secretary

V Madhavan
Membership No. 028113

S P Gupta
Director

Anil Khurana
Managing Director

Chandan Kumar Das
Chief Financial Officer

Place : Bangalore
Date : 17-05-2016

Place : Mangalore
Date : 16-05-2016

Notes Forming Part of the Financial Statements for the Year Ended 31st March, 2016

Note 1 - Significant accounting policies

Petronet MHB Limited (The 'Company') was incorporated on 31st July, 1998 on common carrier principle to provide petroleum product transportation facility from Mangalore Refinery at Mangalore to the Oil Marketing Company Terminals at Hassan & Devangonhi (Bangalore). It was a Joint Venture promoted by M/s Petronet India Ltd., and M/s Hindustan Petroleum Corp. Ltd. with 26% equity by each company. After the Company underwent corporate debt restructuring in 2006, HPCL & ONGC holds 28.77% each, consortium of nationalised banks hold 34.57% and Petronet India Ltd. holds 7.89% equity in the Company.

1.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"). The financial statements are prepared under the historical cost convention, on the accrual basis of accounting.

Assets & liabilities have been classified as current & non - current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of activity carried out by the company and the period between the procurement and realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 1 year for the purpose of current - non current classification of assets & liabilities.

1.2 Use of estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affect amounts and the Management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

1.3 Revenue recognition

a. Income from Services

Transportation income is recognised on delivery of petroleum products to oil marketing companies.

b. Interest Income

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

c. Other Income

Insurance claims are accounted on acceptance of claims by respective Insurance Companies

1.4 Tangible fixed assets

- a. All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, freight, duties, taxes, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- b. Exchange difference arising on payment of liabilities for purchase of fixed assets in foreign currency and year end conversion of such liabilities are charged / credited to the Profit and Loss Account.
- c. When an asset is scrapped or otherwise disposed of, the cost and related depreciation are removed from the books of accounts and resultant profit or loss, if any, is reflected in the Profit and Loss Account.

1.5 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Cost of Right of Way for laying Pipelines is capitalised as Intangible Assets

1.6 Impairment of assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount.

1.7 Depreciation and amortisation

Depreciation is calculated under the Straight Line Method, based on the estimated useful life of the assets after retaining the residual value of 5%, on an evaluation by the Management. In respect of certain assets, as provided below, the useful life assessed internally by the Company's Management differs from that specified in Schedule II of the Companies Act, 2013. In all such cases, appropriate documentation of the evaluation with justifications for the same has been maintained. Items of value less than Rs. 5,000/- are depreciated at 100% in the year of acquisition

Tangible Assets	Useful Life as per Evaluation
SCADA Systems	10 Years
Telecom Systems	15 Years
Online Sulphur Analyzer System	10 Years

Intangible assets are amortised over their estimated useful life as follows:

Intangible Assets	Useful Life as per Evaluation
Right of Way	99 Years
Software	6 Years

1.8 Inventories

'Inventories are valued at the lower of cost on FIFO basis and the net realisable value after providing for obsolescence and other losses, where considered necessary. The Company only has Stores & Spares and Project Surplus as part of their Inventories.

1.9 Foreign currency transactions and translations

a. Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.

b. As at the Balance Sheet date non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction

c. In the case of monetary assets and liabilities denominated in foreign currency, the exchange rate prevalent on the Balance Sheet date is applied to restate such assets and liabilities. Exchange differences arising on restatement of foreign currency assets and liabilities are recognized as income or expenditure in Profit and Loss Account.

1.10 Employee benefits

Employee benefits include provident fund, gratuity fund, and compensated absences

Defined contribution plans

Provident Fund

The Company's contribution to provident fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made, at the rate prescribed by the Employees' Provident Funds & Miscellaneous Provisions Act, 1952

Defined benefit plans

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services

that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled. based on the actuarial valuations being carried out at each balance sheet date.

1.11 Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease Payments under an Operating Lease are recognized as expenses in the statement of profit and loss on a straight line basis over the lease term.

1.12 Taxes on income

Tax expense comprising of current tax, MAT and deferred tax are recognized in profit and loss account for the year.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternative Tax (MAT) under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. MAT paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets/liabilities are reviewed at each Balance Sheet date for their realisability.

1.13 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the

obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

1.14 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash and cash equivalents comprises cash on hand and deposits with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible into known amounts of cash to be cash equivalents.

1.15 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

Notes forming part of the financial statements for the year ended 31st March, 2016

Particulars	Amount (Rs.)	
	As at 31st March, 2016	As at 31st March, 2015
	Amount in Rs.	Amount in Rs.
Note 2 - Share capital		
Authorised		
60,00,00,000 equity shares of Rs.10 each (Previous year: 60,00,00,000 equity shares of Rs. 10 each)	6,000,000,000	6,000,000,000
Total	6,000,000,000	6,000,000,000
Issued, subscribed and fully paid up		
54,87,07,264 equity shares of Rs. 10 each with voting rights (Previous year: 54,87,07,264 equity shares of Rs. 10 each)	5,487,072,640	5,487,072,640
Total	5,487,072,640	5,487,072,640

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:

Equity shares with voting rights

	Number	Amount (Rs.)	Number	Amount (Rs.)
	As at 31 March, 2016		As at 31 March, 2015	
At the beginning of the year	548,707,264	5,487,072,640	548,707,264	5,487,072,640
Issued during the year				
Add: Fresh Issue - Shares issued during the year for consideration in cash	-	-	-	-
Add: Conversion of Debentures - Shares issued during the year for consideration other than cash	-	-	-	-
Bought back during the year	-	-	-	-
Outstanding at the end of the year	548,707,264	5,487,072,640	548,707,264	5,487,072,640

(ii) Detail of the rights, preferences and restrictions attaching to each class of shares :

With respect to equity shares, company has only one class of equity share, having a par value of Rs. 10/-. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.

(iii) Details of shares held by each shareholder holding more than 5% shares:

	No. of shares As at 31 March 2016	No. of shares AS at 31 March, 2015
Equity shares with voting rights:		
Hindustan Petroleum Corporation Ltd	157,841,000	157,841,000
% of holding	28.77%	28.77%
Oil & Natural Gas Corporation Ltd	157,841,000	157,841,000
% of holding	28.77%	28.77%
Petronet India Ltd	43,340,040	43,340,040
% of holding	7.90%	7.90%

(iv) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash for the period of 5 years immediately preceding the Balance Sheet date

Particulars	Aggregate Number of Shares	
	Nil	Nil
Equity shares with voting rights		
Fully paid up pursuant to contract(s) without payment being received in cash.		
Total	-	-

Note 3 - Reserves and surplus

	Amount (Rs.)	
	As at 31st March 2016	As at 31st March 2015
Surplus/(Deficit) in Statement of Profit and Loss		
Opening balance	(308,091,683)	(648,997,021)
Add: Profit / (Loss) for the year	621,507,911	340,905,338
Net Surplus/(Deficit) in Statement of Profit and Loss	313,416,228	(308,091,683)
Total Reserves and surplus	313,416,228	(308,091,683)

Note 4 - Deferred tax (Liability)/Assets

Tax effect of items constituting deferred tax liability

On difference between book balance and tax balance of fixed assets	(83,569,149)	(66,481,802)
Others	-	-
Total - Tax effect of items constituting deferred tax liability	(83,569,149)	(66,481,802)

Tax effect of items constituting deferred tax assets

On difference between book balance and tax balance of fixed assets	-	-
Disallowances under Section 43B of the Income Tax Act, 1961	290,924,257	3,262,915
Unabsorbed depreciation carried forward	-	313,468,412
Brought forward business losses	-	-
Others - Provision for Doubtful Debts	759,789	-
Total - Tax effect of items constituting deferred tax assets	291,684,046	316,731,327

Net Deferred tax (liability)/assets

208,114,897	250,249,525
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The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the Management's estimates of future profits in view of the approved financial restructuring scheme and further business plans and projections.

Note 5 - Other long-term liabilities (Unsecured, considered good)

Trade Payables

Micro, Small and Medium Enterprises	-	-
Other trade payables	76,248,644	75,330,694

Others

Earnest Money Deposit	452,042	596,042
Retention Money Received	1,674,667	1,674,667
Security Deposit Received	65,509	65,509

Total	78,440,862	77,666,912
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Note 6 - Long Term Provisions (Unsecured, considered good)	As at 31st March 2016	Amount (Rs.) As at 31st March 2015
Provision for employee benefits		
Provision for compensated absences (Refer Note 25)	3,209,129	2,100,868
Provision for gratuity (Refer Note 25)	2,551,951	2,239,080
Total	5,761,080	4,339,948

Note 7 - Trade payables

Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	38,497,471	34,331,638
Total	38,497,471	34,331,638

Notes:

Disclosures required for Micro, Small and Medium Enterprises

(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
(iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-

There are no micro and small enterprises to which the company owes dues, which are outstanding for more than 45 days as at 31st March, 2016. Dues to Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company

Note 8 - Other current liabilities

Other liabilities		
Earnest Money Deposit	-	2,538,709
Retention Money Received	9,280,001	5,580,964
Security Deposit Received	2,219,392	611,340
Statutory remittances (Contributions to PF, Withholding Taxes, Service tax, etc.)	20,267,834	15,086,655

	Amount (Rs.)	
Dues to Employees & Others	62,169	152,188
Interest on Income Tax	-	1,497,303
Total	31,829,396	25,467,159

Note 9 - Short term provisions

Provision for employee benefits:		
Provision for compensated absences (Refer Note 25)	114,671	86,532
Provision for gratuity (Refer Note 25)	117,493	383,652
Provision for Performance Incentives	2,811,845	2,594,086
Provision Others:		
Provision for Recompense	831,822,100	512,916,563
Total	834,866,109	515,980,833



Amount (Rs.)

Note 10 - Fixed Assets

Particulars	Gross block				Depreciation/ Amortisation				Net block	
	Balance as at 01.04.2015	Additions	Disposals	Balance as at 31.03.2016	Balance as at 01.04.2015	For the year	Eliminated on disposal of assets	Balance as at 31.03.2016	Balance as at 31.03.2016	Balance as at 31.03.2015
Tangible Assets: (Not under lease)										
Land-Freehold	3,564,474	-	-	3,564,474	-	-	-	-	3,564,474	3,564,474
Roads	20,855,571	-	-	20,855,571	19,812,793	-	-	19,812,793	1,042,778	1,042,778
Buildings	218,884,478	25,679,794	-	244,564,272	77,494,819	7,127,699	-	84,622,518	159,941,754	141,389,659
Pipeline	4,253,797,065	-	-	4,253,797,065	3,711,526,540	21,323,251	-	3,732,849,791	520,947,274	542,270,525
Plant & Machinery	910,131,108	13,367,657	-	923,498,765	797,190,433	26,090,092	-	823,280,525	100,218,240	112,940,675
Electrical Installations (refer Note (i) below)	451,445,353	8,088,190	170,224,442	289,309,101	420,952,224	2,451,304	170,224,442	253,179,086	36,130,015	30,493,129
SCADA Systems	98,347,400	1,019,784	-	99,367,184	88,330,262	688,286	-	89,018,548	10,348,636	10,017,138
Telecom Systems	242,894,358	10,564,020	-	253,458,378	135,124,845	24,627,182	-	159,752,027	93,706,351	107,769,513
Online Sulphur Analyzer System	8,757,141	240,000	-	8,997,141	2,504,779	842,644	-	3,347,423	5,649,718	6,252,362
Office Equipments	2,210,858	16,010	-	2,226,868	1,419,725	172,658	-	1,592,383	634,485	791,133
Computers and Data Processing Equipments	5,457,231	532,407	-	5,989,638	4,556,907	492,558	-	5,049,465	940,173	900,324
Furniture & Fixtures	8,205,141	1,014,237	-	9,219,378	5,803,234	324,519	-	6,127,753	3,091,625	2,401,907
Total	6,224,550,178	60,522,099	170,224,442	6,114,847,835	5,264,716,561	84,140,193	170,224,442	5,178,632,312	936,215,523	959,833,617
Previous year-Tangible	6,183,546,144	41,004,034	-	6,224,550,178	5,118,852,968	145,863,593	-	5,264,716,561	959,833,617	1,064,693,176
Intangible Assets:										
Right of Way (refer Note (ii) below)	96,036,216	30,011,458	-	126,047,674	50,521,410	466,197	-	50,987,607	75,060,067	45,514,806
Software	613,440	735,455	-	1,348,895	295,497	91,869	-	387,366	961,529	317,943
Total	96,649,656	30,746,913	-	127,396,569	50,816,907	558,066	-	51,374,973	76,021,596	45,832,749
Previous year-Intangible	135,433,617	245,425	39,029,386	96,649,656	41,430,714	9,386,193	-	50,816,907	45,832,749	94,002,903



Amount (Rs.)

Particulars	Gross block			Depreciation/ Amortisation				Net block	
	Balance as at 01.04.2015	Additions	Balance as at 31.03.2016	Balance as at 01.04.2015	For the year	Eliminated on disposal of assets	Balance as at 31.03.2016	Balance as at 31.03.2015	
Capital Work in Progress:									
PFR for Extension of Pipeline to Kannur	855,602	4,743,875	5,599,477	-	-	-	5,599,477	855,602	
Others	-	1,340,708	1,340,708	-	-	-	1,340,708	-	
Total	855,602	6,084,583	6,940,185	-	-	-	6,940,185	855,602	
Previous year- Capital Work In Progress	4,749,866	-	855,602	-	-	-	855,602	4,749,866	
Total Fixed Assets	6,322,055,436	97,353,595	6,249,184,589	5,315,533,468	84,698,259	170,224,442	5,230,007,285	1,019,177,304	1,006,521,968
Previous Year- Total	6,323,729,627	41,249,459	6,322,055,436	5,160,283,682	155,249,786	5,315,533,468	1,006,521,968	1,163,445,945	

Notes:

- i) Gross Block of HT Electrical Lines, in the nature of enabling assets, which was included in Electrical Installation and fully amortised in previous year is eliminated from the list of Fixed Assets.
- ii) Cost of Right of Way for laying Pipeline is capitalised as Intangible Assets. The life of the asset has been re-assessed during the year as 99 years as per the industry practice. Depreciation on the unamortised depreciable amount is provided prospectively over the residual useful life of the asset. The impact of change in this estimate is under statement of Depreciation by Rs. 26,54,683 for the year.
- iii) There are six pieces of Land acquired through KIADB for Sectionalised Valve Stations for which Lease-Cum Sale deed are yet to be registered in the name of the company and the amount paid is shown as advance against land under Note No.11

	Amount (Rs.)	
	As at 31st March 2016	As at 31st March 2015
Note 11 - Long term loans and advances (Unsecured, considered good)		
Capital advances		
Advance against Land	971,403	971,403
Security deposits	20,798,945	20,798,945
Advance income tax (net of provisions Rs. 43,67,63,574 (As at 31 March, 2015 Rs. 34,07,24,328))	64,079,202	17,410,624
MAT credit entitlement	153,175,251	340,724,328
Others		
Prepaid Expenses	166,965	158,462
Total	239,191,766	380,063,762
Note 12 - Other non current assets (Unsecured, considered good)		
Long-term trade receivables	26,315,445	30,037,387
Total	26,315,445	30,037,387
Note 13 - Inventories (At lower of cost and net realisable value)		
Stores and spares at site		
Project Surplus	42,033,927	42,068,804
Other Stores & Spares	55,821,959	54,882,100
Total	97,855,886	96,950,904
Note 14 - Trade receivables		
Trade receivables outstanding for a period less than six months unsecured, considered good	129,416,874	127,857,312
Trade receivables outstanding for a period exceeding six months unsecured, considered doubtful	2,195,413	2,195,413
	(A) 131,612,287	130,052,725
Less: Provision for doubtful receivables	2,195,413	2,195,413
	(B) 2,195,413	2,195,413
Total (A-B)	129,416,874	127,857,312
Note 15 - Cash and bank balances		
A. Cash and cash equivalents		
Cash on hand	68,444	20,464
Balances with banks:		
In current accounts	6,397,064	15,976,051
In deposit accounts	4,834,274,891	3,669,689,443
Total Cash and cash equivalents (A)	4,840,740,399	3,685,685,958
B. Other bank balances (Refer Note (i) below)		
Balances with banks:		

	Amount (Rs.)	
In earmarked accounts		
Balance held as security against performance guarantee	72,404,234	63,900,000
Total Other Bank Balances (B)	72,404,234	63,900,000
Total Cash and Bank Balances (A+B)	4,913,144,633	3,749,585,958

Notes:

- (i) The deposits maintained by the company with banks comprise time deposit, which can be withdrawn by the company at any point without prior notice or penalty on the principal.
- (ii) Balances with banks include deposits with remaining maturity of more than 12 months

1,517,728,276 1,733,839,250

**Note 16 - Short term loans and advances
(Unsecured, considered good)**

Balances with government authorities		
CENVAT credit receivable	2,902,758	3,626,342
Others		
Prepaid Expenses	1,701,260	1,509,685
Advances to employees for PCDs	15,000	15,482
Others	450	2,490
(A)	4,619,468	5,153,999
Less: Provision for other Doubtful loans and advances	-	-
(B)	-	-
Total (A-B)	4,619,468	5,153,999

**Note 17 - Other current assets
(Unsecured, considered good)**

Interest accrued on deposits	152,047,513	190,346,632
Total	152,047,513	190,346,632

Note 18 - Revenue from operations

Sale of Services		
Freight Charges for Transportation of Petroleum Products	1,238,267,577	1,070,796,424
Revenue from operations(gross)	1,238,267,577	1,070,796,424

Notes:

- (i) Earnings in Foreign Currency Rs. Nil (Prev. Yr. Rs.Nil)

Note 19 - Other income

Interest Income	392,319,550	320,191,022
Sale of Pipes	34,877	10,771,586
Profit on Sale of Fixed Assets	-	46,644,932
Liabilities / provisions no longer required written back	-	3,244,846
Other Miscellaneous Incomes	3,965,013	860,928
Total	396,319,440	381,713,314

	As at 31st March 2016	Amount (Rs.) As at 31st March 2015
Notes :		
Interest income comprises of:		
Interest on Term Deposit	391,266,943	319,085,413
Interest on Security Deposit	1,052,607	1,105,609
Total - Interest income	392,319,550	320,191,022

Note 20 - Employee benefit expense

Salaries and wages (Refer Note (i) below)	36,983,352	32,516,492
Contributions to provident fund	1,457,128	1,366,189
Gratuity	184,924	802,091
Staff welfare expense	235,267	202,098
Other employee benefits	296,559	281,999
Total	39,157,230	35,168,869

Notes:

- (i) includes Rs.85,95,447/- (Prev. Yr. Rs.74,05,264/-) being salaries and allowances paid to HPCL Staff members on deputation.

Defined contribution plans

The Company makes Provident Fund which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 14,57,128 (Year ended 31 March, 2015 Rs. 13,66,189) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Note 21 - Finance costs

Interest on Income Tax	-	1,497,303
Provision for Recompense	318,905,537	512,916,563
Total	318,905,537	514,413,866

Note 22 - Other expenses

Power & Fuel	131,469,919	123,196,784
Repair & Maintenance on Plant and Machinery	10,895,657	14,122,477
Repair & Maintenance on Buildings	682,326	77,053
Repair & Maintenance on ROW	143,215	155,973
Repair & Maintenance - Electricals & Others	25,546,114	17,560,616
Inteligent Pigging Expenses	4,816,740	-
Stores & Spares		
Consumed	6,148,562	5,630,950
Sold	34,877	10,771,586
Insurance Premium	4,758,439	4,991,368
Painting of Station Pipings And equipments	5,070,694	930,393
Watch and Wards	14,837,671	13,074,716
Lease Rent (Refer Note 27 below)	11,033,201	10,549,261
Compensation to CA(LAO) Staff	871,893	798,252
Electricity Charges	179,347	209,726
Communication Expense	981,565	958,107
Printing & Stationery	1,046,841	759,832
Professional and Consultancy Charges (Refer Note 22A below)	2,497,728	2,200,415

	Amount (Rs.)	
Monitoring Institution Fees	-	300,000
Rates and Taxes	1,430,342	1,254,023
Training, Recruitment, Seminar and Mock Drill Expenses	993,752	605,975
Travelling and Conveyance	3,398,515	3,258,685
Vehicle Hire Charges	5,714,176	5,458,083
Expenses towards Corporate Social Responsibility	7,094,674	1,456,590
Bank Charges	131,983	575,277
Advertisement for Public Tender	2,740,472	2,780,124
Bad trade and other receivables written off	51,404	6,655,149
Other Expenses	4,176,270	3,749,911
Total	246,746,377	232,081,326

Note 22A - Legal and professional charges include payment to auditors

As auditors		
Statutory audit	150,000	150,000
For taxation matters	60,000	70,000
For other services	15,000	40,000
Total	225,000	260,000

Note 22B - Value of imports calculated on CIF basis

Capital Goods	1,657,595	-
Total	1,657,595	-

Note 22C - Expenditure in Foreign currency

Intelligent Pigging Expense	3,389,412	-
Others	-	-
Total	3,389,412	-

Note 23 - Exceptional Items

Insurance claims	2,151,308	-
Total	2,151,308	-

Notes:

Claims received from Insurance Company towards settlement of insurance claims

Note 24

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	Amount in Foreign Currency	
		As on 31 March 2016	As on 31 March 2015
Lin Scan Advanced Pipelines and Tank Services	USD	45,987	-
		45,987	-

Notes forming part of the financial statements for the year ended 31st March, 2016
Note 25 - Disclosure as per the Accounting Standard -15 (revised)

Amount (Rs.)

Particulars	Earned Leave Encashment		Sick Leave Encashment		Gratuity	
	Year	Year	Year	Year	Year	Year
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Change in Defined Benefit Obligations (DBO) during the year ending March 31, 2016						
Defined Benefit Obligation at the beginning of the year	1,467,709	1,515,029	857,902	492,772	2,484,520	1,682,429
Interest Cost	102,943	121,572	66,916	44,349	193,793	151,419
Current Service Cost	692,502	78,539	128,610	128,610	363,754	469,860
Past Service Cost- Vested/ Non- Vested Benefits	-	-	-	-	-	-
Benefit Paid	(301,525)	(335,688)	-	-	-	-
Actuarial (Gain)/ Loss on Obligation	116,573	88,258	192,170	192,171	(372,623)	180,812
Defined Benefit Obligation at the end of the year	2,078,202	1,467,709	1,245,598	857,902	2,669,444	2,484,520

Change in Fair Value of Assets during the year ending March 31, 2016

Fair Value of Plan Assets at the beginning of the year	-	-	-	-	-	-
Expected Return on Plan assets	-	-	-	-	-	-
Actuarial (Gain)/ Loss	-	-	-	-	-	-
Contribution by Employer	-	-	-	-	-	-
Benefit Paid	-	-	-	-	-	-
Fair Value of Plan Assets at the end of the year	-	-	-	-	-	-
Net Assets/(Liability) recognised in Balance Sheet as at March 31, 2016						
Defined Benefit Obligation at the end of the year	2,078,202	1,467,709	1,245,598	857,902	2,669,444	2,484,520
Fair Value of Plan Assets at the end of the year	-	-	-	-	-	-
Amount Recognised in the Balance Sheet	2,078,202	1,467,709	1,245,598	857,902	2,669,444	2,484,520
Components of Employer Expenses						
Current Cost of Service	692,502	78,539	128,610	128,610	363,754	469,860
Interest Cost	102,943	121,572	66,916	44,349	193,793	151,419
Past Service Cost(Vested / Non- Vested Benefits)	-	-	-	-	-	-
Expected Return on Plan assets	-	-	-	-	-	-
Actuarial (Gain)/ Loss	116,573	88,258	192,170	192,171	(372,623)	180,812
Total Expenses Recognised in Profit and Loss Account	912,018	288,369	387,696	365,130	184,924	802,091

Actuarial Assumptions used in Valuations						
Discount Rate	7.60%	7.80%	7.60%	7.80%	7.60%	7.80%
Expected Return on Plan Assets	NA	NA	NA	NA	NA	NA
Salary Escalation	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Withdrawal Rate:	Age					
	Upto 30	5%	5%	5%	5%	5%
	31-40	3%	3%	3%	3%	3%
	Above 40	2%	2%	2%	2%	2%
	Mortality Rate	100% of IAL	100% of IAL	100% of IAL	100% of IAL	100% of IAL

Note 26 - Related party disclosures as per AS 18

Nature of relationship	Names of the related parties	
Key management personnel (KMP)	Anil Khurana - Managing Director Avinash Bhalchandra Thosar - Director Kumar Hariharan - Chairman Sunil Kumar Gupta - Director Venkatesh Madhava Rao - Director Satya Prakash Gupta - Director Vanita Kumar - Director J Ramaswamy - Director Chandan Kumar Das - CFO(KMP) Sachin Jayaswal - Company Secretary(KMP)	
Investing Party	Hindustan Petroleum Corporation Limited Oil and Natural Gas Corporation Limited	
Subsidiary of Investing Party	Mangalore Refinery & Petrochemicals Ltd	
Transactions between related parties	Amount (Rs.)	
	As at 31st March, 2016	As at 31st March, 2015
Rendering of services - Freight Charges		
Hindustan Petroleum Corporation Limited	502,533,218	417,845,837
Mangalore Refinery & Petrochemicals Ltd	13,894,218	19,954,227
Sale of goods - Project Surplus Pipes/ Empty Barrels		
Hindustan Petroleum Corporation Limited	36,795	2,070,677
Hindustan Petroleum Corporation Limited	-	22,500
Others - Sharing of ROU for HPCL LPG Project (Received)		
Hindustan Petroleum Corporation Limited	16,792,989	85,674,318
Land Lease Rent Paid		
Hindustan Petroleum Corporation Limited	10,482,265	10,011,714
Receiving of Services - Power Charges Paid		
Mangalore Refinery & Petrochemicals Ltd	26,198,001	28,898,896
Reimbursement of Expenses Paid		
Hindustan Petroleum Corporation Limited - Salary & Allowances	9,805,811	8,320,554

		Amount (Rs.)
Hindustan Petroleum Corporation Limited - Lab Sample Testing	5,623,298	-
Hindustan Petroleum Corporation Limited - Purchase of Lube oil	210,965	-
Hindustan Petroleum Corporation Limited - others	1,292,601	-

Remuneration paid to KMP

*Anil Khurana	4,614,339	4,001,843
Chandan Kumar Das	1,227,755	1,149,671
Sachin Jayaswal	1,203,051	1,118,312

* - Remuneration to Managing Director represents amounts debited by HPCL for its Executive on deputation to the company and the entitlement released by PMHBL as per HPCL rules

Balances outstanding at the end of the year

Trade Receivable

Hindustan Petroleum Corporation Limited	74,927,628	72,715,027
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(The above balance includes Rs. 2,63,15,445 lacs, for current year (Previous year 3,00,37,387) which has been shown under Long-term trade receivable, disclosed under "Other non current assets")

Mangalore Refinery & Petrochemicals Ltd (Provision for Doubtful Receivables Rs. 21,95,413 (Previous year Rs. 21,95,413))	2,195,413	2,875,694
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Trade Payables

Hindustan Petroleum Corporation Limited	643,070	379,418
Mangalore Refinery & Petrochemicals Ltd	1,970,597	2,103,114

Note 27 - Leases

The Company has entered into operating lease arrangements for certain facilities, land and office premises.

	Amount (Rs.)	
	As at 31st March, 2016	As at 31st March, 2015
Lease rentals recognised during the year	11,033,201	10,549,261
Future minimum lease payments under non cancellable operating leases		
not later than one year	9,846,900	9,408,429
later than one year and not later than five years	44,199,282	42,229,399
later than five years	152,424,895	164,162,428

Notes:

The lease rentals in respect of the lands situated at Mangalore, Hasaan and Devengonhi are being paid based on the Minutes of Meeting with HPCL dated 17-03-2003. The lease adreemnts are yet to be formalised.

In respect of the land allotted by the forest department under perpetual lease, the future minimum lease payments are disclosed only upto the next 5 years.

Note 28 - Earning per share

Net profit/ (loss) for the year	621,507,911	340,905,338
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(being entirely attributable to the equity shareholders)

Par value per share	10	10
Basic earnings per share:		
Weighted average number of equity shares	548,707,264	548,707,264
Earnings per share	1.13	0.62
Diluted earnings per share:	548,707,264	548,707,264
Weighted average number of equity shares	1.13	0.62
Earnings per share		

Note 29 - Contingent liabilities and commitments (to the extent not provided for)

Contingent liabilities

I. Claims against the company not acknowledged as debts-with respect to: -	Amount (Rs.)	
	As at 31st March, 2016	As at 31st March, 2015
i) PMHBL v/s. Punj Lloyd Ltd (PLL) - Court Case (Arbitration suit) at City Civil Court Bangalore. - Against the award of Sole Arbitrator in PMHBL v/s. PLL case, PMHBL filed an Arbitration suit at City Civil Court Bangalore.	380,851,921	354,198,318
ii) PMHBL v/s. Punj Lloyd Ltd (PLL) - Arbitration Case) - M/s. PLL filed Arbitration case against PMHBL in mainline pipe laying contract.	256,621,624	256,621,624
iii) 127 Writ Petition cases filed by PMHBL at Hon'ble High Court of Karnataka, Bangalore against the order of Hon'ble District judge of Bangalore Rural District for compensation enhancement cases filed by ROU land owners.	5,200,000	5,200,000
iv) 01 Writ Petition case filed by PMHBL at Hon'ble High Court of Karnataka, Bangalore against the order of Hon'ble District judge of Chickmagalur District for damages outside the ROU	2,103,300	---
v) Arbitration case filed by M/s Reunion Engg. Pvt. Limited against PMHBL towards the Electrical & Instrumentation works at PMHBL stations during project.	3,294,129	3,294,129
vi) Hindustan Petroleum Corporation Limited - Claim for Lab Testing Charges	---	4,759,794
Total	648,070,974	624,073,865

Note: The management, based on the advice of its counsel, believes that the ultimate outcome in respect of above mentioned cases/ proceedings will not require an outflow of resources

II. In the following cases of claims against the company, no reliable estimate could be made of the liability :-

- i) 12 Writ Petition cases filed by land owners against PMHBL at Hon'ble High Court of Karnataka, Bangalore for enhancement of compensation at Hassan (11 cases) & Chickmagalur (01 case) District
- ii) 03 cases filed by Land owners at Mangalore District Court for enhancement of Compensation
- iii) 01 case filed by land owner at Hassan District Court for enhancement of Compensation. All the said cases are at various stages of proceedings and hence no provisions are made

III. Performance Bank Guarantee of Rs. 6,39,00,000 has been given by the company in favour of Petroleum & Natural Gas Regulatory Board towards 1% cost of the pipeline project as security deposit for meeting the

quality of service obligations and requirement of PNGRB during operating phase. The Bank Guarantee is renewed from time to time and presently valid till 1st June 2017.

Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances if any)	15,982,810	13,004,732
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Note 30 - Corporate Debt Restructuring

The company has issued Zero Coupon Bond amounting to Rs. 164.44 Crore to Lenders as per CDR Approved Scheme repayable in 36 quarterly instalments commencing from Sept, 2006 and ending on June 2015. The Company has made payments and cleared the entire liability under the facility by 31st March, 2015. In accordance with the CDR Approval and as per RBI guidelines the lender banks have right of recompense which is yet to be finalised by the consortium of lender bankers. As the liability for recompense has already triggered, as a financial prudence, provision to the extent of 83.18 Crore is made in the accounts.

The securities (land at Mehsana, Gujrat and Plant and Machinery) offered in respect of the original term loan and the Zero Coupon Bond and the charges created with the Registrar of Companies are still subsisting.

Note 31 - Segment Reporting

The Company has only a single reportable segment i.e. Transportation of Petroleum Products of Oil Marketing Companies (OMCs'), hence Segment Reporting as per AS -17 is not applicable.

Note 32

Trade Receivables, Trade Payables are subject to confirmation and reconciliation of the balances.

Note 33

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our report of even date
For GRSM & Associates
Chartered Accountants
Firm Registration No. 000863S

For and on behalf of the Board of Directors
of Petronet MHB Limited

Sachin Jayaswal
Company Secretary

V Madhavan
Partner
Membership No. 028113

S P Gupta
Director

Anil Khurana
Managing Director

Chandan Kumar Das
Chief Financial Officer

Place : Bangalore
Date : 17-05-2016

Place : Mangalore
Date : 16-05-2016

Petronet MHB Limited

CIN : U85110KA1998PLC024020

No. 332, Darus Salam Building, 1st Floor, Queen's Road, Bangalore - 560 052.

Website: www.petronetmhbl.com, Email : headoffice@petronetmhbl.com

Tel : 080 - 2226 2317 / 22262243

ATTENDANCE SLIP

DP ID	CLIENT ID	FOLIO NO.	NO. OF SHARE(S)

I / We hereby record my / our presence at the 18th Annual General Meeting of the Company, held on Friday, 23rd day of September 2016 at 12.30 PM at Hotel Le Meridien, No. 28 Sankey Road, (Opposite Bangalore Golf Club), Bangalore - 560052

Name of the Member : _____

Signature of the Member : _____

Name of the Proxy : _____

Signature of the Proxy : _____

NOTES:

1. Kindly sign and hand over the attendance slip at the entrance of the meeting hall.
2. Members / Proxy holders are requested to bring their copy of the Annual Report for reference at the meeting.

Petronet MHB Limited

CIN : U85110KA1998PLC024020

No. 332, Darus Salam Building, 1st Floor, Queen's Road, Bangalore - 560 052.

Website: www.petronetmhbl.com, Email : headoffice@petronetmhbl.com Tel : 080 - 2226 2317 / 22262243

PROXY FORM

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014.

Name of the member(s)
Registered Address
Email Id
Folio No. / Client id
DP ID

I / We, being the member(s) of theshare of the above named company, hereby appoint

- 1) Name..... of Address having email id or falling him
- 2) Name..... of Address having email id or falling him
- 3) Name..... of Address having email id or falling him

And whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 18th Annual General Meeting of the Company, to be held on Friday, 23rd day of September 2016 at 12.30 PM at Hotel Le Meridien, No. 28 Sankey Road, (Opposite Bangalore Golf Club), Bangalore - 560052 and at any adjournment thereof in respect of such resolutions as are indicated below:

RESOLUTIONS

Ordinary Business

1. To receive, consider and adopt the audited financial statement of the company for the financial year ended March 31, 2016 together with the Boards Report & the Auditors' Report thereon.
2. To appoint a Director in place of Sri H. Kumar (DIN: 06851988), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri S.K. Gupta (DIN: 06956622), who retires by rotation and being eligible, offers himself for reappointment.
4. To fix and/or to determine the payment of remuneration of the Auditors of the Company to be appointed by the Comptroller and Auditor General of India for auditing the accounts of the Company for the financial year 2016-17

Special Business

5. To re-appoint Sri Anil Khurana (DIN: 05270420) as Managing Director of the Company
6. To ratify the remuneration of the Cost Auditor for the financial year ending March 31, 2017

Signed this day of 2016.

Signature of Shareholder

Signature of proxy holder (s)

Affix
Revenue
Stamp

Note: This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

Route Map To The Venue of The Annual General Meeting On Friday, 23rd September 2016 At 12.30 P.M.

From City Railway Station to Hotel Le Meridien



Hotel Le Meridien, No. 28 Sankey Road,
(Opposite Bangalore Golf Club), Bangalore - 560052