

# Petronet MHB Limited

# 20<sup>th</sup>

## Annual Report 2017-2018



## VISION

- ❖ To be a major state of the art technology Pipeline company for Transporting Petroleum Products in Karnataka State & beyond, maintaining highest standards of Quality in execution, Operation & Maintenance of Pipe line system with optimum care & commitment for safety, health, environment, employee involvement & development.

## MISSION

- ❖ To achieve international standards of excellence in all respect of petroleum products transportation business through Pipeline system with focus on customer delight through delivery of quality product services. To maximize creation of wealth, value and satisfaction to the stakeholders. To attain leadership in developing, adopting, absorbing state of the art new Technology for competitive advantage. To provide technology, consultancy, training in the field of pipeline transportation system for petroleum products & Telecom system. To develop and provide a high technology optical fiber based telecommunication system network in Karnataka State and neighboring states. To cherish a culture of participation and bring in novelties for employee growth, development and contribution.

## QUALITY POLICY

- ❖ To establish & maintain high standard of Quality systems in Pipeline construction, operation & Maintenance of Pipe line system to deliver Quality services and products to its customers to achieve customer satisfaction and delight.

## INTEGRATED MANAGEMENT SYSTEM POLICY



- P**etronet MHB Ltd, commits to continual improvement and
- M**aintain operational excellence through;
- H**azard, ill health, injury and Pollution prevention,
- B**y employee involvement and complying with
- L**egal and other requirements & customer expectations.

## Our Directors



**Shri Subhash Kumar**  
Chairman



**Shri Venkatesh M. Rao**  
Director



**Shri S.P. Gupta**  
Director



**Shri Selvakumar**  
Managing Director



**Shri J.S. Prasad**  
Director



**Ms. Vanita Kumar**  
Independent Director



**Shri Rakesh Kaul**  
Director

## Directors Retired Since Previous AGM



**Shri H. Kumar**  
Chairman

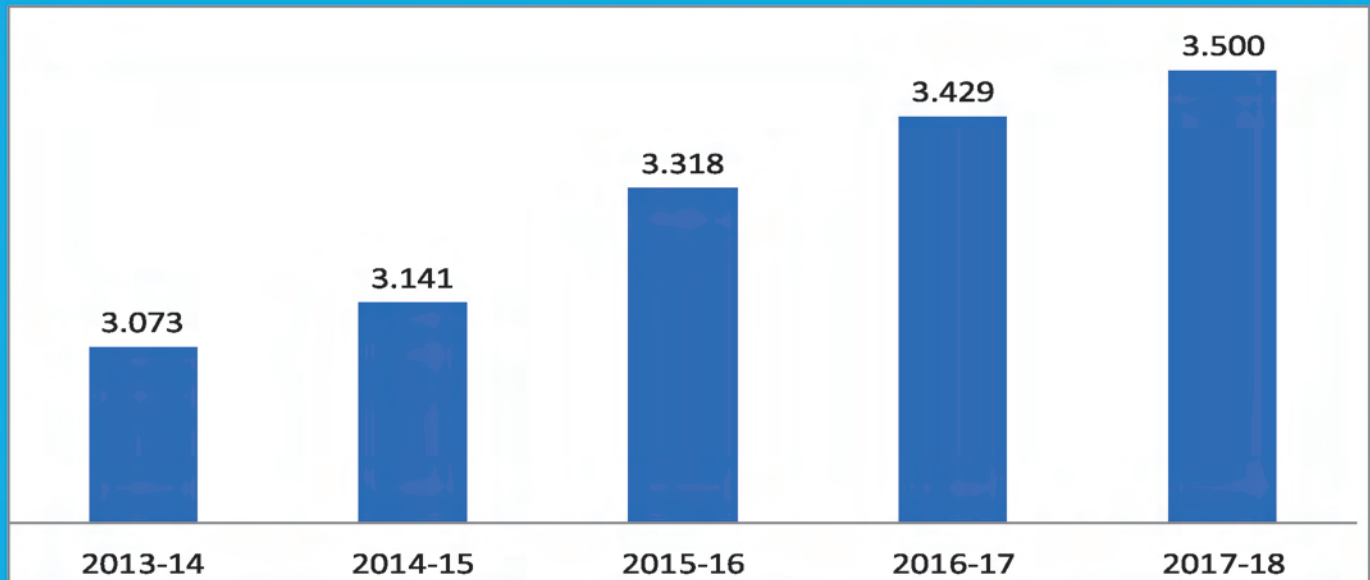


**Shri S.K. Gupta**  
Director

## PERFORMANCE SNAPSHOT

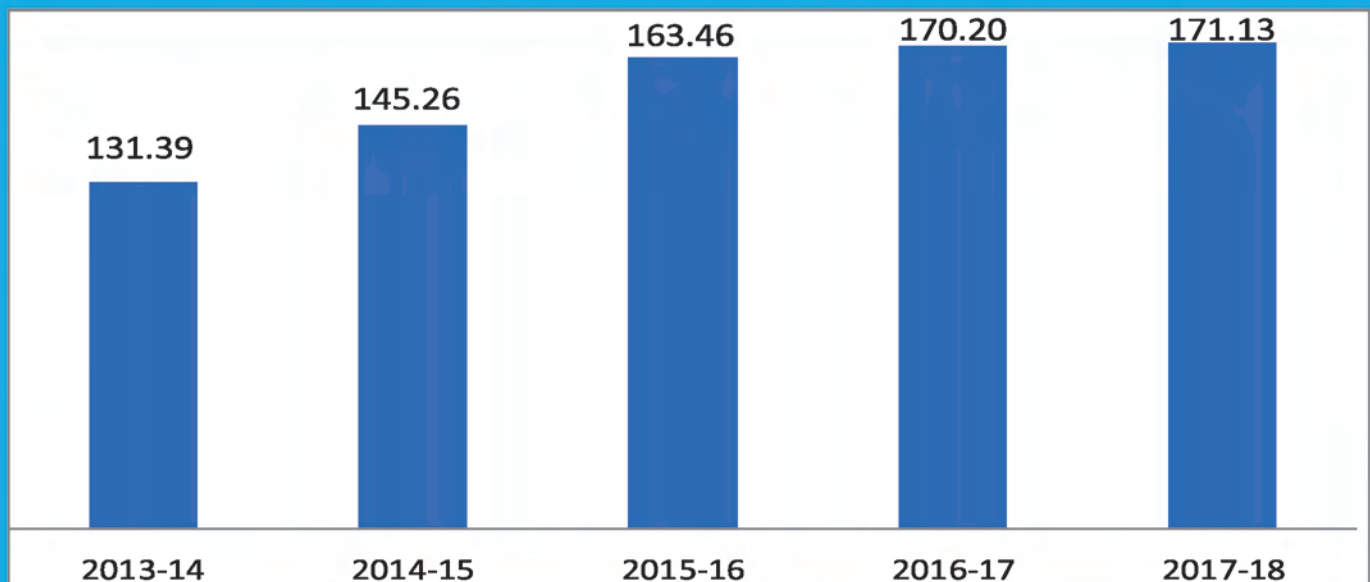
### MANGALORE BANGALORE PIPELINE

#### THRUPUT ACHIVED IN LAST 5 YEARS (in MMT)

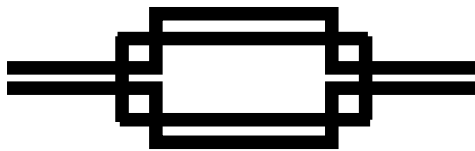


### MANGALORE BANGALORE PIPELINE

#### REVENUE RECEIPT IN LAST 5 YEARS (in Rs. Cr.)



# 20<sup>th</sup> Annual Report 2017-18



## **Petronet MHB Limited**

CIN : U85110KA1998PLC024020

Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bangalore - 560 052

Email : [headoffice@petronetmhbl.com](mailto:headoffice@petronetmhbl.com) Website : [www.petronetmhbl.com](http://www.petronetmhbl.com)

Tel : 080 - 2226 2317 / 2226 2243



## CONTENTS

<b>Sl No.</b>	<b>Particulars</b>	<b>Page No.</b>
1	Offices, Auditors & Bankers	1
2	Notice of AGM	2 -6
3	Boards' Report	7-35
4	Auditor's Report	36-44
5	C& AG Comments	45
6	Balance Sheet	46-47
7	Statement of Profit & Loss	48
8	Cash Flow Statement	49-50
9.	Statement of changes in Equity	51-52
10.	Notes forming part of Financial Statement	53-89
11.	Attendance Slip	91
12	Proxy Form	93
13	Route Map to AGM Venue	94





## Offices, Auditors & Bankers

**Registered Office (Head Office) :**

Corporate Miller  
2nd Floor, Block B, 332/1,  
Thimmaiah Road, Vasantnagar,  
Banagalore - 560 052  
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  
HDFC Bank Ltd.

**Registrar &****Share Transfer Agent:**

Integrated Enterprises (India) Limited

**Depository:**

National Securities & Depositories Ltd

**Key Managerial Personnel:****Sri Selvakumar**

Managing Director

**Sri Chandan Kumar Das**

Chief Financial Officer

**Sri Sachin Jayaswal**

Company Secretary

## Petronet MHB Limited

CIN : U85110KA1998PLC024020

Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bangalore - 560 052

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

Tel : 080 - 2226 2317 / 2226 2243

### Notice of 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the members of Petronet MHB Limited will be held on **Friday, 14th September 2018 at 2.30 PM at Hotel Le Meridien, 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 on March 31, 2018 together with the Boards' Report and the Auditors' Report thereon.
2. To confirm the payment of Interim Dividend of Rs. 0.90 per equity share already paid during the year as the Final Dividend for the financial year ended March 31, 2018.
3. To appoint a Director in place of Sri J.S. Prasad (DIN: 07673253), 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 as appointed by the Comptroller and Auditor General of India for auditing the accounts of the Company for the financial year 2018-19 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 as appointed by the Comptroller & Auditor General of India for Statutory Audit of the Accounts of the Company for the Financial Year 2018-19”***

#### B. Special business

5. To appoint Sri Subhash Kumar (DIN: 07905656) as 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 the provisions of the Companies Act 2013 including any statutory modification or re-enactment thereof for the time being in force, Sri Subhash Kumar (DIN 07905656), who was appointed as Additional Director by the Board of Directors effective 02.06.2018 pursuant to the provisions of Section 161 (1) of the Companies Act 2013 and the Articles of Association of the Company and who hold office upto the date of this AGM and the Company having received a notice in writing, under Section 160 of the Companies Act, 2013 from Shri Subhash Kumar, proposing his***

*candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”*

6. To appoint Sri Rakesh Kaul (DIN: 07975342) as 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 the provisions of the Companies Act 2013 including any statutory modification or reenactment thereof for the time being in force, Sri Rakesh Kaul, (DIN 07975342) who was appointed as Additional Director effective 03.11.2017 pursuant to the provisions of Section 161 (1) of the Companies Act 2013 and the Articles of Association of the Company and who hold office upto the date of this AGM and the Company having received a notice in writing, under Section 160 of the Companies Act, 2013 from Sri Rakesh Kaul, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”***

7. To ratify the remuneration of the Cost Auditor for the financial year ending March 31, 2019 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, 2019 be and is hereby ratified.”***

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



(Sachin Jayaswal)  
Company Secretary

Regd. Office : Corporate Miller, 2nd Floor, Block B,  
332/1, Thimmaiah Road, Vasanth Nagar, Bengaluru, 560052

Date : 14.08.2018

**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.
- e. 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 contained 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 appointed the Statutory Auditors.

With effect 31.01.2018, the Company has become a subsidiary of M/s ONGC and a Government Company consequent to acquisition of 51.11% stake in M/s HPCL by M/s ONGC. Pursuant to Section 139 of the Companies Act, 2013, the Auditors of a Government Company are appointed by the C&AG and in pursuance to Section 142 of the Companies Act, 2013, their remuneration is to be fixed by the Company in the Annual General Meeting or in such manner as the Company in general meeting may determine. The Members of the Company, in 19th Annual General Meeting held on 22.09.2017, authorized the Board of Directors to fix the remuneration of Statutory Auditors appointed for the financial year 2017-18. Accordingly, the Board of Directors fixed remuneration of 1,80,000/- for the Statutory Auditors for the financial year 2017-18 in addition to applicable tax, and reimbursement of actual traveling and out of pocket expenses.

The Board of Directors have recommended authorizing the Board of Directors of the Company for fixation of remuneration of Auditors as appointed by C&AG for auditing the Annual Accounts of the Company for the year 2018-19 for approval of shareholders. The appointment of Statutory Auditors from C&AG for FY 2018-19 is awaited.

- f. Route Map showing Directions to reach to the venue of the Meeting is given at the end of this Notice.
- g. Shareholders to whom hard copy of Annual reports have been provided are requested to bring their copies of the Annual report to the Meeting.
- h. Shareholders / Proxies attending the Meeting should bring the Admission Slip, duly filled, for handing over at the venue of the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013****Item no. 5:**

Shri Subhash Kumar (DIN: 07905656) was appointed as additional Director w.e.f. 02.06.2018 and holds office upto the date of the 20th Annual General Meeting.

The Company has received a notice in writing from Sri Subhash Kumar pursuant to the provisions of Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director of the Company. The Candidature of Sri Subhash Kumar as Director of the Company has been considered by the Nomination and Remuneration Committee and the Board of Directors pursuant to proviso to Section 160 inserted wef 09.02.2018 by the Companies Amendment Act 2017 which has recommended his candidature for appointment as a Director of the Company at the AGM.

**Brief Profile of Shri Subhash Kumar**

Shri Subhash Kumar is Fellow Member of ICMAI and also Associate Member of ICSI. He is an alumni of Panjab University, Chandigarh, from where he obtained his Bachelors degree and Masters degree in Commerce with Gold Medal.

Mr. Kumar joined ONGC in 1985 as Finance & Accounts Officer (F&AO). After initially working in Jammu and Dehradun, he had a long stint at ONGC Videsh, the overseas arm of ONGC. During his tenure with ONGC Videsh, Mr. Kumar was associated with key acquisitions and expansion of company's footprint from single asset company in 2001 into a company with global presence.

Mr. Kumar served as Chief Financial Officer of Mansarovar Energy Colombia Limited, a 50:50 joint venture of ONGC Videsh and Sinopec of China, from September 2006 to March 2010. He worked as Head Business Development and Strategy, Finance & Budget and also as Head Treasury Planning & Portfolio Management Group at ONGC Videsh from April 2010 to June 2016. He played a key role in evaluation and acquisition of many Assets abroad by ONGC Videsh.

Mr. Kumar joined back at ONGC as Chief Commercial & Head Treasury in July, 2016 where he played a key role in evaluation, negotiation, and concluding outstanding issues pertaining to the organization. Mr. Kumar also served a brief stint with Petronet LNG Limited where he joined as Director (Finance) in August 2017. Mr. Subhash Kumar was appointed as Director (Finance), ONGC on 31st January, 2018.

The Board of Directors considers that in view of the background and experience of Sri Subhash Kumar, it would be in the interest of the Company to appoint him as a Director of the Company. The Board, therefore, recommends the ordinary resolution for approval by the members.

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

**Item No. 6:**

Sri Rakesh Kaul, (DIN 07975342) who was appointed as Additional Director effective 03.11.2017 and holds office upto the date of the 20th Annual General Meeting.

The Company has received a notice in writing from Sri Rakesh Kaul pursuant to the provisions of Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director of the Company.

The Candidature of Sri Rakesh Kaul as Director of the Company has been considered by Nomination and Remuneration Committee and the Board of Directors pursuant to proviso to Section 160 inserted wef 09.02.2018 by the Companies Amendment Act 2017 which has recommended his candidature for appointment as a Director of the Company at the AGM.

#### Brief Profile of Shri Rakesh Kaul

Sri Rakesh Kaul is Graduate in Electrical Engineering and MBA with 35 years of experience in ONGC. He is Currently working as Chief – (Business development and Joint Venture) ONGC.

Sri Rakesh Kaul has vast experience in the areas of Field Maintenance, Quality assurance, Marine Planning, Project execution, ERP-SAP implementation and Business development and JV Management. He has been speaker at various International forums like American SAP user Group, and SAP-EAM, USA.

The Board of Directors considers that in view of the background and experience of Sri Subhash Kumar, it would be in the interest of the Company to appoint him as a Director of the Company. The Board, therefore, recommends the ordinary resolution for approval by the members.

None of the Directors/ Key Managerial Personnel of the Company or their relatives except Sri Rakesh Kaul is concerned or interested in the resolution.

#### Item No. 7:

The Board, on the recommendations of the Audit Committee, 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, 2019.

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

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

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



**(Sachin Jayaswal)  
Company Secretary**

Regd. Office : Corporate Miller, 2nd Floor, Block B,  
332/1, Thimmaiah Road, Vasanth Nagar, Bengaluru, 560052

Date : 14.08.2018

## BOARD'S REPORT

### TO THE MEMBERS

Your Directors take pleasure in presenting to you the 20<sup>th</sup> Annual Report on the working of your Company, together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2018.

It is a matter of great pleasure that the Company completed 15th year of successful business operations during 2017-18 and achieved highest thrupt of 3.50MMT. Your company recorded gross revenue earnings amounting to Rs. 171.13Cr. compared to Rs. 170.20Cr. during 2016-17.

### A. FINANCIAL HIGHLIGHTS:

Rs. in Cr.

DESCRIPTION	YEAR 2017-18	YEAR 2016-17
THRUPUT (MMT)	3.500	3.429
INCOME FROM OPERATIONS	130.89	128.33
INTEREST ON FD & OTHER INCOME	40.24	41.87
<b>TOTAL INCOME</b>	<b>171.13</b>	<b>170.20</b>
OPERATING AND THE OTHER EXPENSES	35.56	29.26
OPERATING PROFIT	135.57	140.94
FINANCE COST	0.81	8.66
OPERATING PROFIT AFTER INTEREST	134.76	132.28
DEPRECIATION	8.05	7.43
<b>PROFIT BEFORE EXCEPTIONAL &amp; EXTRAORDINARY ITEMS</b>	<b>126.71</b>	<b>124.85</b>
<b>PROFIT BEFORE TAX</b>	<b>126.71</b>	<b>124.85</b>
<b>CURRENT TAX</b>	<b>(27.21)</b>	<b>(42.22)</b>
DEFERRED TAX (NET)	(16.04)	(1.70)
<b>PROFIT AFTER TAX</b>	<b>83.46</b>	<b>80.93</b>
OTHER COMPREHENSIVE INCOME	<b>(0.01)</b>	<b>(0.02)</b>
INTERIM DIVIDEND	<b>(49.39)</b>	<b>0.00</b>
DIVIDEND DISTRIBUTION TAX	<b>(10.05)</b>	<b>0.00</b>
<b>ACCUMULATED PROFIT</b>	<b>135.92</b>	<b>111.91</b>

We are pleased to convey that pursuant to acquisition of 51.11% stake in HPCL by ONGC on 31.01.2018, Petronet MHB Ltd. has become a subsidiary of ONGC and a Government Company as ONGC and HPCL together are holding 65.43% equity shares in the Company.

### Transfer to Reserves

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

## Dividend

During FY 2017-18, the Company has paid a maiden Interim dividend at Rs. 0.90 per share. No further dividend for FY 2017-18 is proposed.

## Corporate Debt Restructuring

With the payment of recompense of Rs. 91.50 Cr. on 16<sup>th</sup> Aug. 2017, your company has fulfilled all its obligations under the Master Restructuring Agreement.

## B. FUTURE OUTLOOK

India remains one of the largest oil consuming economy and annual domestic consumption for oil is showing sustained growth which augurs well for your company. It gives me great satisfaction and delight to convey that 2017-18 was yet another outstanding year for your Company.

In view of emergence of improved signs in economy in general and oil sector in particular, your company has taken steps for expansion by way of extension of the pipeline from Hassan to Chitradurga. Expression of interest in this regard has already been submitted to Petroleum & Natural Gas Regulatory Board. To ensure sustained product availability for pumping, your company has made provision for Coastal input of product in the pipeline at Mangalore.

As part of its initiative to harness clean energy, your company is establishing solar power plants at Mangalore, Hassan & Neriya which will go a long way in reducing the carbon footprint by reducing dependence upon fossil fuel.

## C. PERFORMANCE & OPERATIONS DURING 2017-18:

Your company achieved a 2.10% growth in thruput of 3.50MMT (Million Metric Ton) during the year 2017-18 compared to 3.429 MMT achieved during 2016-17. 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
2017-18	2.887	0.613	3.500
2016-17	2.818	0.611	3.429

## Achievements & Performance during FY 2017-18:

- The Pipeline achieved a throughput of 3.50 MMT which is the highest since inception, the previous highest being 3.429 MMT in 2016-17.
- Energy consumption of 105 BTU/MT - KM (Standard for pipeline operations is 50 BTU to 135 BTU).
- Power cost of 23 paisa per MT - KM which is reasonable.
- Operating cost of 51 paisa / MT-KM which is reasonable.



- Revenue Contribution per employee of approx. Rs.5 Cr.
- Capacity utilization of pipeline at 63% with respect to design capacity of 5.600 MMTPA as compared to capacity utilization of 61 % during 2016-17.
- Saving of Rs. 93 lacs in power cost for FY 2017-18 through Power trading from IEX (Indian Energy Exchange) through Open Access system at Neriya Intermediate Pumping Station.
- Audit of Operations:
  - Safety Audit of pipeline and Stations carried out by PESO (Petroleum & Explosives Safety Organization) in July 2017.
  - External Safety Audit of pipeline and Stations carried out by Oil Industry Safety Directorate (OISD) in December 2017.
  - Pipeline location Illumination Study carried out as per OISD 149 in November 2017.
  - Safety preparedness under Manufacture, Storage and Import of Hazardous Chemicals (MSIHC) Rules, 1989 in November 2017.
  - Periodic Audit of IMS viz Quality Management System - QMS 9001:2008, Environmental Management System - EMS 14001:2004 & Occupational Health and Safety Assessment Series - OHSAS 18001:2007 carried out by DNVGL in October 2017.
  - Certification Audit of Energy Management system (EnMS) ISO:50001 carried out by TUV in April 2017.
- Pigging of the pipeline:
  - Intelligent Pigging (IPS) of Intermediate Pigging station - Devangonathi section carried out. No major defects found in pipeline.
  - Scrapper Pigging in Mangalore – Neriya and Neriya – Hassan section also carried out and found satisfactory.
- Offsite Mock drills conducted at Chainage 35.40 Km, 66.30 Km, 174.00 Km and 358.35 Km, of PMHBL pipeline in presence of District Authorities, Factories Authorities, Department of Fire & Emergency Services, Police Officials and mutual aid members.
- Continuous Interval Potential Logging (CIPL) and Direct Current Voltage Gradient (DCVG) survey of pipeline carried out and Coating condition of the pipeline is found healthy.
- Procurement and installation of polarization cells, Test Lead Stations of Cathodic Protection System and carrying out mitigation measures for AC Interference in PMHBL pipeline Right of User (ROU).
- Procurement of Video Display units solutions and Video Conferencing System at various locations.
- Integration of Programmable Logic Control (PLC) systems of HPCL Hassan Terminal and PMHBL Hassan station for Tanks and valve status sharing.

## D. Annual Report on Corporate Social Responsibility (CSR) Activities:

### 1. Brief outline of the Policy

The Corporate Social Responsibility Committee formulated and recommended to the Board, a Corporate Social Responsibility Policy bringing out 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 CSR Policy of the Company is available in the following weblink

<https://www.petronetmhbl.com/wp-content/uploads/2018/06/csrpolicy-1.pdf>

### 2. Composition of CSR Committee:

The CSR Committee of the company presently comprises of four directors namely Sri Venkatesh M. Rao (Chairman), Sri J.S. Prasad, Ms. Vanita Kumar & Sri Selvakumar.

<b>Average net profit of the company for last three financial years</b>	Rs. 90.31 Cr.
<b>Prescribed CSR Expenditure for FY 2017-18 (two per cent of the average net profit of last three financial years)</b>	Rs. 1.81 Cr.
<b>Carryover amount from FY 2016-17</b>	Rs. 0.40 Cr.
<b>Details of CSR spent during the FY 2017-18</b>	
● Total amount to be spent for the financial year	Rs. 2.21 Cr.
● Amount unspent	Nil
● Manner in which the amount has been spent during the financial year	Details in <b>Annexure I - A.</b>

3. The Company has met its CSR target expenditure in line with the statutory requirements.
4. The responsibility statement of the CSR Committee is enclosed as **Annexure I - B.**

**Recently, Karnataka Pollution Control Board (KSPCB) has conferred an award to Petronet MHB Ltd for contribution to society under CSR activity.**

## E. CORPORATE GOVERNANCE

### Board meeting details:

Five meetings of the Board of Directors were held during the financial year 2017-18 on 27.04.2017, 10.08.2017, 24.11.2017, 24.02.2018 and 28.03.2018. The details of the Directors' attendance are as follows:

Sl. No.	Name of Director	No. of Board meetings held during respective tenure during 2017-18	No. of Board meetings attended during 2017-18
1.	Sri H. Kumar	5	5
2.	Sri Selvakumar (wef 01.05.2017)	4	4
3.	Sri Venkatesh M Rao	5	5
4.	Sri S.P. Gupta	5	3
5.	Sri J.S. Prasad	5	3
6.	Ms. Vanita Kumar (reappointed as Independent Director wef 12.08.2017)	5	4
7.	Sri Rakesh Kaul (wef 03.11.2017)	3	3
8.	Sri Anil Khurana (till 30.04.2017)	1	1
9.	Sri S.K. Gupta (till 05.10.2017)	2	2

### Annual General Meeting Details

Year	Date of AGM
2017	22 <sup>nd</sup> Sep. 2017
2016	23 <sup>rd</sup> Sep. 2016
2015	24 <sup>th</sup> Sep. 2015

### Company Policy on Directors Appointment, Remuneration etc.

As per *Annexure II - A and II - B*

### Performance Evaluation of Board

The Company has laid down a Policy for performance evaluation of the Board, its committees, Independent Directors and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive directors.

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual directors by seeking their inputs on various aspects of Board/Committee Governance. The annual performance evaluation of the Board, Committees, Individual Directors and the Chairperson was carried out.

The Board considered and discussed the inputs received from the Directors. Further, the Independent Director at its meeting, reviewed the performance of Board, Chairman of the Board and of Directors.

### **Directors & Key Managerial Personnel**

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

1. Sri Subhash Kumar, Chairman (w.e.f. 02.06.2018)
2. Sri Selvakumar, Managing Director (w.e.f. 01.05.2017)
3. Sri Venkatesh Madhava Rao, Director
4. Sri S.P. Gupta, Director
5. Sri J.S. Prasad, Director
6. Sri Rakesh Kaul, Director (w.e.f. 03.11.2017)
7. Ms. Vanita Kumar, Woman Independent Director (reappointed as Independent Director w.e.f. 12.08.2017)

### **Changes in Directorship**

Sri Selvakumar is nominated by HPCL as Managing Director wef 01.05.2017 in place of Sri Anil Khurana who superannuated from HPCL and has resigned from the Board of the Company wef 30.04.2017.

Sri Rakesh Kaul has been nominated by ONGC on PMHBL Board in place of Sri S.K. Gupta who has superannuated from ONGC and resigned from the Board wef 05.10.2017. Sri Rakesh Kaul has been appointed as additional director with effect from 03.11.2017.

Sri Kumar Hariharan has superannuated as MD, MRPL and has submitted his resignation from the Board of your Company wef 01.06.2018. Sri Subhash Kumar has been nominated as Chairman by ONGC in place of Sri Kumar Hariharan. Sri Subhash Kumar has been appointed as additional director and Chairman, PMHBL with effect from 02.06.2018.

The Board places on record deep appreciation for valuable contribution made by Sri S.K. Gupta, Sri Anil Khurana and Sri Kumar Hariharan during their tenure on the Board of the Company.

### **Re-appointments**

As per Section 152 of the Companies Act, 2013, Sri J.S. Prasad (DIN: 07673253) is the Director who will retire by rotation at the ensuing AGM and being eligible, seek re-appointment. The Board recommends his re-appointment.

### **Independent Directors**

Pursuant to provisions of the Companies Act, 2013 & Rule 4 of the (Companies appointment & qualification of Directors) Rules 2014 PMHBL was required to appoint Independent Directors. However, under MCA notification dated 05.07.2017, PMHBL being a joint venture is no longer required to have any Independent Directors on the Board.

Although, in view of the MCA notification dated 05.07.2017, PMHBL is no longer required to appoint an Independent Director, however Ms. Vanita Kumar has been reappointed as Independent Director by the Board for the second term from 12.08.2017 to 31.12.2018 as a good Corporate Governance practice

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

One meeting of Independent Director were held during the Financial year.

### **Key Managerial Personnel**

In line with Section 203 of the Companies Act, 2013, Sri Selvakumar, Managing Director (wef 01.05.2017), Sri Chandan Kumar Das, CFO and Sri Sachin Jayaswal, Company Secretary are the Key Managerial Personnel. Sri Anil Khurana was Managing Director (KMP) of the Company till 30.04.2017.

### **Directors' responsibility statement**

Your Directors State that:

- (i) In the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March 2018, 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 31<sup>st</sup> March 2018 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.

### **Audit Committee**

The Audit Committee of the company presently comprises of three directors namely Sri S.P. Gupta (Chairman), Sri Rakesh Kaul & Sri J.S. Prasad. The Audit Committee, at the meeting held on 21.04.2018 reviewed the Accounts for the year 2017-18, before the Accounts were adopted by the Board.

Seven meetings of the Audit Committee were held during 2017-18 on 27.04.2017, 28.06.2017, 10.08.2017, 02.09.2017, 24.11.2017, 05.02.2018 and 28.03.2018.

### **Corporate Social Responsibility Committee**

The CSR Committee of the company presently comprises of four directors namely Sri Venkatesh M. Rao (Chairman), Sri J.S. Prasad, Ms. Vanita Kumar & Sri Selvakumar.

Three meetings of the CSR Committee were held during 2017-18 on 26.05.2017, 21.09.2017 and 18.12.2017.

### **Nomination & Remuneration Committee**

The Nomination & Remuneration Committee presently comprises of four Directors namely Sri Venkatesh M. Rao (Chairman), Sri Rakesh Kaul, Sri J.S. Prasad and Ms. Vanita Kumar.

Three meetings of the Nomination and Remuneration Committee were held on 27.04.2017, 28.06.2017 and 21.09.2017.

### **Internal Financial Controls**

The Company has adequate internal financial controls in place which are adequate and operating effectively.

Based on the established framework of internal financial control, work performed by the internal, statutory, cost and secretarial auditors, the reviews by Management, the Board is of the opinion that the Company's internal financial controls are adequate and effective.

### **Related party transactions**

During the year 2017-18, The Company has not entered into any material, financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/ or Partners.

The Company has obtained declarations from all concerned in this regard, which were noted by the Board. A comprehensive policy on Related Party Transaction (RPT) has been approved by the Board.

The Company has entered into certain related party transactions which are in ordinary course of business and on arm's length basis as detailed in **Annexure III**.

### **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 Chief Vigilance Office, HPCL with concurrence of MoP&NG.

### **Risk Management**

Many risks exist in a company's operating environment and some risks emerge over a period of time. The Company's Risk Management practices aims at timely identification and mitigation of these risks.

The Board of Directors have adopted Risk Management Policy under which Risk Management committees have been constituted with clearly defined roles and responsibilities. The Committees, headed by senior functionaries have the primary responsibility of implementing the Risk Management Policy of the Company and achieving the stated objective of developing a risk intelligent culture in the Company.

The Committees periodically reviews the risk management practices and actions taken for identification, monitoring, mitigation and reporting of key risks to the Board of Directors.

Further, the Committee endeavours to assist the Board in framing, implementing and monitoring the risk management plan for the Company and reviewing and guiding the risk policy.

## Auditors

### Comptroller and Auditor General of India

We are pleased to convey that 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 2017-18.

### Statutory Auditors

The Comptroller and Auditor General of India (C&AG) have appointed GRSM & Associates, Chartered Accountants, Bangalore as Statutory Auditors of your Company for the year 2017-18 and they have audited the Accounts for the year 2017-18. At the 19<sup>th</sup> Annual General Meeting of the Company, the Board was authorized to fix the remuneration of the Statutory Auditor for the Financial Year 2017-18. The Board has fixed a remuneration of Rs. 1.80 lacs plus out of pocket expenses plus GST at applicable rate for the Statutory Auditor for the Financial Year 2017-18. For the year 2018-19, the appointment of Statutory Auditor by C&AG is awaited.

### Cost Auditors

GNV & Associates, were appointed as Cost Auditor for the financial year 2017-18 pursuant to Section 148 of the Companies Act 2013 & Companies (Cost Audit records and Audit) Rules, 2014 at a remuneration of Rs. 50000/- plus GST plus out of pocket expenses.

### Secretarial Auditors

The Board has appointed V. Sreedharan and associates to conduct Secretarial Audit for the financial year 2017-18. The Secretarial Audit Report (MR3) for the financial year ended March 31, 2018 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**.

### Cost Records

The Company is required to maintain cost records as specified under sub-section (1) of section 148 of the Companies Act, 2013, and accordingly such accounts and records are made and maintained.

### Disclosure as per sexual harassment of women at workplace (prevention, prohibition and redressal) Act 2013

The Company has zero tolerance towards sexual harassment at the workplace and has constituted Internal Complaints Committee in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

No complaints were received under the Act during 2017-18.

### Extract of Annual Return (MGT 9)

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

The Annual return of the company shall be uploaded on the date of filing of the same with the Registrar and thereafter the same can be viewed by the members and stakeholders. The same shall be available at weblink [www.petronetmhbl.com](http://www.petronetmhbl.com).

#### **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**

The details are as per *Annexure VII*.

#### **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.

#### **Deposits**

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

#### **Secretarial Standards:**

The applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings' respectively, have been duly followed by the Company.

#### **Material changes affecting the Company**

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year and date of this report. There has been no change in the nature of business of the Company.

The pipeline tariff rate as per the PNGRB revised Order No. TO/07/2015 dated 19.05.2015 applicable from 1st April, 2015 for a transition period of two years, has been further extended upto 19<sup>th</sup> December, 2018 vide PNGRB Order No. TO/04/2018 dated 22.06.2018.

The Company has shifted its Registered office wef 01.06.2018 to a new spacious premise within the same city i.e. Bangalore.

#### **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 and support rendered by the Lender Bankers and Corporate Debt Restructuring (CDR) Cell/ Empowered Group.

Your Directors also wish to place on record their appreciation of the continued cooperation received from Oil marketing Companies, Mangalore Refinery & Petrochemicals Ltd., 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: Bangalore**

**Date: 06.08.2018**

**Sd/-  
(Subhash Kumar)  
Chairman**

## ANNEXURE I - A

**Details of amount spent on CSR Activities during the FY 2017-18 (Amount in lacs)**

1	2	3	4	5	6	7	8
Sl No	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 (Rs. Lacs)	Cumulative Expenditure upto the Reporting Period (Rs. Lacs)	Amount Spent: Direct or through Implementing Agencies
1	10 mtr high mast street lights (13nos)	Cl. (x) Rural Development Project	Karnataka - Dakshin Kannada	14.30	7.38	7.38	Direct
2	Borewell and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	3.50	2.53	2.53	Direct
3	Borewell and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	3.50	3.56	3.56	Direct
4	Boy & Girl Toilets	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	12.00	11.12	11.12	Direct
5	Solar street lights	Cl. (x) Rural Development Project	Karnataka - Dakshin Kannada	4.55	3.12	3.12	Direct
6	Girls & Boys toilet blocks-	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	13.93	18.07	18.07	Direct
7	Girls & Boys toilet blocks-	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	9.50	11.85	11.85	Direct
8	Boys toilet	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	6.00	5.39	5.39	Direct
9	Water purifier & Dispenser units	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	3.00	3.00	3.00	Direct
10	50'X45' size Roof shed structure with Galvalume sheet	Cl. (x) Rural Development Project	Karnataka - Dakshin Kannada	16.00	15.59	15.59	Direct
11	Waste disposal vehicle for villages under Gram Panchayat	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	5.75	5.28	5.28	Direct
12	Water purifier & Dispenser units-50 LPH	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	8.25	7.69	7.69	Direct
13	Boys Toilet at Govt school	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	6.60	4.04	4.04	Direct
14	Borewell and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	3.60	3.03	3.03	Direct
15	Borewell and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	2.60	2.20	2.20	Direct

16	Borewell pump set and accessories	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	0.90	.93	.93	Direct
17	Borewell and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	4.00	3.39	3.39	Direct
18	Boys toilet blocks	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	6.35	7.24	7.24	Direct
19	Boys toilet blocks	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	6.35	6.80	6.80	Direct
20	Boys Toilet blocks (1 no)	Cl. (i) Sanitation	Karnataka - Dakshin Kannada	4.00	7.74	7.74	Direct
21	Water purifier & Dispenser units-50 LPH	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	10.00	9.62	9.62	Direct
22	Bore well and allied facilities	Cl. (i) Making available Safe Drinking Water	Karnataka - Dakshin Kannada	13.00	8.34	8.34	Direct
23	Wheel Chairs & Elbow crutches to differently abled persons.	Cl. (i) Health Care	Karnataka - Hassan	6.30	5.41	5.41	Direct
24	Tricycle and Hearing aid to differently abled persons	Cl. (i) Health Care	Karnataka - Hassan	7.50	8.48	8.48	Direct
25	School bags with note books and compass boxes to Govt primary schools in all locations (3690 Nos)	Cl. (ii) Promoting Education	Karnataka - Hassan	10.07	10.37	10.37	Direct
26	Solar street lights 15 Nos	Cl. (x) Rural Development Project	Karnataka - Hassan	7.50	6.15	6.15	Direct
27	Sanitary napkin vending machine with disposal unit and consumables	Cl. (i) Health Care	Karnataka - Hassan	3.00	1.72	1.72	Direct
28	Water purifier & Dispenser units-50 LPH	Cl. (i) Making available Safe Drinking Water	Karnataka - Hassan	13.66	12.99	12.99	Direct
29	Solar street lights, 8 mtr, 18W*2 (23 nos)	Cl. (x) Rural Development Project	Karnataka - Bangalore Rural	13.34	10.16	10.16	Direct
30	Bus stands (3 nos)	Cl. (x) Rural Development Project	Karnataka - Bangalore Rural	9.20	8.06	8.06	Direct
31	Water purifier & Dispenser units-50 LPH	Cl. (i) Making available Safe Drinking Water	Karnataka - Bangalore Rural	10.92	10.10	10.10	Direct

				239.17	221.35	221.35	
--	--	--	--	--------	--------	--------	--

**ANNEXURE I - B****Responsibility Statement**

The Responsibility Statement of the Corporate Social Responsibility (CSR) Committee 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/-  
*Selvakumar*  
Managing Director

Sd/-  
*Venkatesh M Rao*  
Chairman, CSR Committee

**ANNEXURE II - A****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 II - B****Remuneration Policy for Directors, Key Managerial Personnel and other employees.****Executive Directors:**

There is only one executive Director in the Company – MD, PMHBL whose Remuneration is governed by the terms of Deputation as advised by HPCL.

**Non-Executive Directors:**

All non-executive Directors on the Board are executives of PSU ie 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**

**Form No. AOC-2**

**Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

**1. Details of contracts or arrangements or transactions not at arm’s length basis**

Sl. No.	(a) Name(s) of the related party and nature of relationship		(b) Nature of contracts / arrangements / transactions	(c) Duration of the contracts / arrangements / transactions	(d) Salient terms of the contracts or arrangements or transactions		(e) Justification for entering into such contracts or arrangements or transactions	(f) date(s) of approval by the Board	(g) Amount paid as advances, if any:	(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188
	Name	Relationship			Salient terms	Transaction value (Rs. In Million)				
NIL										

**2. Details of material contracts or arrangement or transactions at arm’s length basis**

Sl. No.	(a) Name(s) of the related party and nature of relationship		(b) Nature of contracts / arrangements / transactions	(c) Duration of the contracts / arrangements / transactions	(d) Salient terms of the contracts or arrangements or transactions		(e) date(s) of approval by the Board, if any:	(F) Amount paid as advances, if any:
	Name	Relationship			Salient terms	Transaction value (Rs. In Cr.)		

1	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Transportation tariff	For the period from 31.01.2018 to 31.03.2018	As per PNGRB Tariff order	10.83		
2	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Transportation tariff	For the period from 31.01.2018 to 31.03.2018	As per PNGRB Tariff order	1.36		
3	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Power purchase	For the period from 31.01.2018 to 31.03.2018	As per agreement	0.79		
4	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Lease of Land	For the period from 31.01.2018 to 31.03.2018	As per agreement	0.17		
5	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Cross country dispatch charges	For the period from 31.01.2018 to 31.03.2018	As per agreed ratio	0.22		
6	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Purchase of Lube	For the period from 31.01.2018 to 31.03.2018	Market rate	0.023		
7	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Manpower on deputation	For the period from 31.01.2018 to 31.03.2018	As per deputation policy	0.32		

**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: 31.03.2018**

To,  
The Members  
**Petronet MHB Limited**  
**Corporate Miller, 2nd Floor,**  
**Block B, 332/1, Thimmaiah Road,**  
**Vasanth Nagar, Bengaluru- 560052**

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, 2018 (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, 2018 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) Cess 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
- xiv. Factory Act, 1948
- xv. Sexual Harassment of Women at Workplace (Prevention and Prohibition and Redressal) Act, 2013
- xvi. 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, Standards, Guidelines, etc. mentioned above except for the following:

***The Company has not appointed the required number of Independent Directors 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. However, the company is exempted from compliance with this rule vide sub-rule 2 of Rule 4 of the Companies (Appointment of Directors) Rules, 2014 vide amendment w.e.f. July 5, 2017.***

With effect from January 31, 2018, the company ( a Joint Venture Company) has become a Government 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. Vide amendment of rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 with effect from July 13, 2017, the company is not required to constitute Audit Committee and Nomination and Remuneration Committee as it is not covered under Rule 4 of the Companies (Appointment of Directors) Rules, 2014. However, according to the company, the Board has decided to continue with the Audit Committee and Nomination & Remuneration Committee as a part of good corporate governance practice. 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, except for the company becoming a Government Company consequent to acquisition of 51.11% stake in HPCL Ltd. by ONGC Ltd. as on January 31, 2018, there were no events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, etc.

28.06.2018

For V. Sreedharan & Associates

*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 have taken note of the exemption to the Company from appointment of two Independent Directors under sub-rule 2 of Rule 4 of the Companies (Appointment of Directors) Rules, 2014 w.e.f. July 5, 2017.

**ANNEXURE VI**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN****As on the financial year ended on March 31, 2018**

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:**

1.	CIN	U85110KA1998PLC024020
2.	Registration Date	31-07-1998
3.	Name of the Company	Petronet MHB Limited
4.	Category / Sub-Category of the Company	Public Company/ Limited by Shares
5.	Address of the Registered office and contact details	No. 332, Darus Salam Building, 1st Floor, Queen's Road, Bangalore - 560 052 Tel: 080-22262317 Fax: 080-22262242
6.	Whether listed company Yes / No	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Enterprises (India) Limited, 12, Ramanuja Plaza, Ground Floor, 5th Cross, Malleswaram, Bengaluru – 560003 Contact - (080) 23460815-818 Fax - (080) 23460819

**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	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	0	0	0	0.00	0	0	0	0	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0	0.00
d) Bodies Corp.	358892040	130000	359022040	65.44	358892040	130000	359022040	65.44	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0	0.00
<b>Sub-total (A) (1):</b>	358892040	130000	359022040	65.44	358892040	130000	359022040	65.44	0.00
<b>(2) Foreign</b>									
a) NRIs - individuals	0	0	0	0.00	0	0	0	0	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0	0.00
e) Any Other....	0	0	0	0.00	0	0	0	0	0.00
<b>Sub-total (A) (2):</b>	0	0	0	0.00	0	0	0	0	0.00
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	358892040	130000	359022040	65.44	358892040	130000	359022040	65.44	0.00
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0.00	0	0	0	0	0.00
b) Banks / FI	189685184	0	189685184	34.56	189685184	0	189685184	34.56	0.00
c) Central Govt	0	0	0	0.00	0	0	0	0	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00

f) Insurance Companies	0	0	0	0.00	0	0	0	0	0.00
g) FIs	0	0	0	0.00	0	0	0	0	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0	0.00
<b>Sub-total (B)(1):</b>	189685184	0	18968 5184	34.56	189685184	0.00	189685184	34.56	0.00
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	0	0	0	0.00	0	0	0	0	0.00
ii) Overseas	0	0	0	0.00	0	0	0	0	0.00
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	40	40	0.00	0.00	40	40	0	0.00
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0.00	0	0	0	0	0.00
c) Others(specify)	0	0	0	0.00	0	0	0	0	0.00
<b>Sub-total (B)(2):</b>	0	40	40	0.00	0	40	40	0	0.00
<b>Total Public Shareholding (B)=(B)(1) +(B)(2)</b>	189685184	40	189685224	34.56	189685184	40	189685224	34.56	0.00
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0.00	0	0	0	0	0.00
<b>Grand Total (A+B+C)</b>	<b>548577224</b>	<b>130040</b>	<b>548707264</b>	<b>100</b>	<b>548577224</b>	<b>130040</b>	<b>548707264</b>	<b>100</b>	<b>0.00</b>

**(ii) Shareholding of Promoters**

SI No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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	Hindustan Petroleum Corporation Ltd.	179511020	32.72	0	179511020	32.72	0	0
2	Oil and Natural Gas Corporation Ltd.	179511020	32.72	0	179511020	32.72	0	0
	<b>Total</b>	<b>359022040</b>	<b>65.44</b>	<b>0</b>	<b>359022040</b>	<b>65.44</b>	<b>0</b>	<b>0.00</b>

(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	359022040	65.44%		
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat	No change during the year			
	At the End of the year			359022040	65.44%

(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		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>A.</b> At the beginning of the year				
	<b>B.</b> Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat				
	<b>C.</b> At the end of the year				
1	State Bank of India				
	A.	50062640	9.12		
	B.				
	C.			50062640	9.12
2	Vijaya bank				
	A.	26884977	4.90		
	B.				
	C.			26884977	4.90
3	Punjab National bank				
	A.	26870077	4.90		
	B.				
	C.			26870077	4.90

4	Allahabad Bank				
	A.	17887247	3.26		
	B.				
	C.			17887247	3.26
5	Bank of Maharashtra				
	A.	17873769	3.26		
	B.				
	C.			17873769	3.26
6	Canara Bank				
	A.	17873652	3.25		
	B.				
	C.			17873652	3.25
7	Union Bank of India				
	A.	17145728	3.12		
	B.				
	C.			17145728	3.12
8	Central Bank of India				
	A.	15047174	2.74		
	B.				
	C.			15047174	2.74
9	IL&FS Financial Services Ltd.				
	A.	39920	0.007		
	B.	0	0	0	0
	C.			39920	0.007
10	Sri SM Bhosekar	10	0.00		
	A.	0	0	0	0
	B.				
	C.			10	0.00

(v) **Shareholding of Directors and Key Managerial Personnel:**

SI No	Directors & KMP	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
	A. At the beginning of the year				
	B. Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat				

	C. At the end of the year				
1	<b>Sri Anil Khurana, Managing Director till 30.04.2017</b>				
	A	10	negligible		
	B	---	---	---	---
	C	---	---	10	negligible
2	<b>Sri S.P. Gupta, Director</b>				
	A	10	0.00		
	B	---	---	---	negligible
	C	---	---	10	negligible

#### V. INDEBTEDNESS

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

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

## 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 in Rs.	Name of MD/ WTD/ Manager	Total Amount in Rs.	Grand Total
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	Sri Anil Khurana (till 30.04.2017)	7,52,933	Sri Selvakumar (from 01.05.2017)	44,93,083	52,46,016
2	Stock Option	-----	-----	-----	-----	-----
3	Sweat Equity	-----	-----	-----	-----	-----
4	Commission - as % of profit - Others, specify...	-----	-----	-----	-----	-----
5	Others, (PF& Other Contributions)	-----	-----	-----	-----	-----
	Total (A)	-----	7,52,933	-----	44,93,083	52,46,016
	Ceiling as per the Act	-----	-----	-----	-----	6,36,27,762

### 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 (A+B)		52,46,016
	Overall Ceiling as per the Act		6,36,27,762



## 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	-----	14,89,065	15,19,277	30,08,342
2	Stock Option	-----	-----	-----	-----
3	Sweat Equity	-----	-----	-----	-----
4	Commission - as % of profit - others, specify...	-----	-----	-----	-----
5	Others, please specify	-----	-----	-----	-----
	Total	-----	14,89,065	15,19,277	30,08,342

## 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)
<b>A. COMPANY</b>					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----
<b>B. DIRECTORS</b>					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-----	-----	-----	-----	-----
Punishment	-----	-----	-----	-----	-----
Compounding	-----	-----	-----	-----	-----

For and on behalf of the Board of Directors

PLACE: BANGALORE

DATE: 06.08.2018

Sd/-  
(SUBHASH KUMAR)  
CHAIRMAN

**ANNEXURE VII****PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014****A. Energy conservation:**

- Steps have been initiated for harnessing solar power by installation of Solar Power plants at Mangalore, Hassan & Devangonhi stations.
- Optimum usage of combination of single and dual mainline pumps at Mangalore as per thruput requirement to minimize the power consumption.
- Conventional lighting is being phased out and replaced with more efficient LED lighting at PMHBL Stations.
- Installation of timers for various electrical equipment for Auto on & off on requirement have been done.

**B. Technology Absorption:**

- Surge Protection Devices installation and Construction of New Earth pits and its allied works for the protection against Lightening surges at PMHBL locations
- Upgradation of EPBAX exchange to IP exchange of Telecom system at HO and connectivity to all locations of PMHBL for uninterrupted communication.
- Electromechanical type Motor protection relay replaced with advanced Numerical type Motor Protection relays at Mangalore station for operational flexibility and event recording.
- Installation of CCTV for mainline Pump House and substation at PMHBL Mangalore and Neriya station and all CCTV feed taken to Head Office.
- Differential Pressure transmitter for Basket Filter at PMHBL Mangalore & Devangonhi location to obviate the need for manual inspection and data recording.
- Expenditure on Research & Development - **Nil**

**C. Import of technology –**

Sl. No.	Technology imported	Year of import
1	Intelligent Pigging of pipeline.	2016-17& 2017-18
2	Vibration & Temperature probes and monitoring system of Mainline & Booster pumps at Mangalore & Neriya Station.	2016-17
3	Flow Control Valve Actuator	2015-16

**D. FOREIGN EXCHANGE EARNINGS & OUTGO:**

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

Particulars	Amount (Rs. in lacs)
Foreign exchange earning	NIL
Foreign exchange outgo	106.69

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**PLACE: BANGALORE**

**DATE: 06.08.2018**

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

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
Petronet MHB Limited

### Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Petronet MHB Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the 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 of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 Ind AS 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 Ind AS 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 of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity 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 in terms of Section 143(11) of the Act, we give in "**Annexure A**" a statement on the matters specified in paragraphs 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, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act read with relevant rules issued thereunder;
  - e) On the basis of the written representations received from the directors as on 31st March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2018 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 Ind AS financial statements - Refer Note No.29 to the Ind AS financial statements.
  - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - 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

Place: Bangalore  
Date: 10/05/2018.

**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 2018, 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 no material discrepancies were noticed during such physical verification. 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 amounting to Rs.29.59 lakhs, 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. 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 2018 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 or GST 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.

Place: Bangalore  
Date: 10/05/2018.

**For GRSM & Associates**  
**Chartered Accountants**  
FRN: 000863S  
**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 2018**

- 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>
Neriya station land Neriya, Beltangady Taluk	4.85 and 2.9 Acres	Lease Cum Sale Agreement with KIADB is Executed. Lease Term has Expired and absolute Sale Deed not yet executed
66 KV transmission line ROW at Hassan – KIADB	2.03 Acres	Lease Cum Sale Agreement with KIADB is Executed. Lease Term Expired and Absolute Sale Deed not yet executed.
<b>Leasehold Land</b>		
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
Devangonhi	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

In the case of certain other land, after payment of allotment consideration, KIADB has given possession of land and issued Possession Certificates. The land acquisition process involves entering into Lease cum Sale Agreements and after the expiry of the lease term, absolute sale deed. Amount paid towards the land is disclosed as capital advance and is yet to be capitalised. [Refer foot note under Note No.7 of the Financial Statements]

- 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

Place: Bangalore  
Date: 10/05/2018.

**Sd/-**  
**V. MADHAVAN**  
Partner [M.No.028113]

## 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 2018 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 2018, 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

Bangalore  
Date: 10/05/2018.

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 2018.**

The preparation of financial statements of Petronet MHB Limited for the year ended 31 March 2018 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 10 May 2018.

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 2018. 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/-  
**(R. AMBALAVANAN)**  
Principal Director of Commercial Audit  
and Ex-Officio Member Audit Board, Chennai

Place: Chennai  
Date: 4 July 2018

## Petronet MHB Limited

### Balance Sheet as at March 31, 2018

(Rs. In lakhs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, Plant and Equipment	2	9,922.12	9,786.65
(b) Capital work-in-progress	2.1	436.39	571.45
(c) Investment Property	3	7.81	7.93
(d) Other Intangible assets	4	762.82	763.59
(e) Financial Assets			
(i) Other financial assets	5	201.19	171.15
(f) Deferred tax assets (net)	6	353.44	1,956.44
(g) Other non-current assets	7	1,952.67	295.86
<b>Total Non - Current Assets</b>		<b>13,636.44</b>	<b>13,553.07</b>
<b>Current assets</b>			
(a) Inventories	8	212.46	224.88
(b) Financial Assets			
(i) Trade receivables	9	1,528.44	1,092.58
(ii) Cash and cash equivalents	10	53,234.51	59,072.75
(iii) Bank balances other than (ii) above	11	689.00	689.00
(iv) Other financial assets	5	1,636.06	1,630.07
(c) Other current assets	12	92.45	65.68
<b>Total Current Assets</b>		<b>57,392.92</b>	<b>62,774.96</b>
Assets classified as held for sale	13	420.34	420.34
<b>Total Assets</b>		<b>71,449.70</b>	<b>76,748.37</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity Share capital	14	54,870.73	54,870.73
(b) Other Equity	14.1	13,592.29	11,191.41
<b>Total Equity</b>		<b>68,463.02</b>	<b>66,062.14</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial Liabilities			
(i) Trade payables	15	-	-
(ii) Other financial liabilities	16	657.69	657.69
(b) Provisions	17	103.38	75.22
<b>Total Non - Current Liabilities</b>		<b>761.07</b>	<b>732.91</b>

(Rs. In lakhs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
<b>Current liabilities</b>			
(a) Financial Liabilities			
(i) Trade payables	15	404.60	180.55
(ii) Other financial liabilities	16	429.40	406.87
(b) Other current liabilities	18	1,342.56	183.67
(c) Provisions	17	49.05	9,182.23
<b>Total Current Liabilities</b>		<b>2,225.61</b>	<b>9,953.32</b>
<b>Total Equity and Liabilities</b>		<b>71,449.70</b>	<b>76,748.37</b>

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For GRSM & Associates**  
**Chartered Accountants**

Firm Registration No.- 000863S

**Sd/-**  
**V Madhavan**  
Partner  
M No.028113

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

**Sd/-**  
**M. Selvakumar**  
Managing Director  
DIN 07799398

**Sd/-**  
**S.P. Gupta**  
Director  
DIN - 07236361

**Sd/-**  
**Chandas Kumar Das**  
Chief Financial Officer

**Sd/-**  
**Sachin Jayaswal**  
Company Secretary

Place : Bangalore  
Date : 10.05.2018

Place : Bangalore  
Date : 10.05.2018

## Statement of Profit and Loss for the year ended March 31, 2018

(Rs. In lakhs)

Particulars	Note No.	Year ended March 31, 2018	Year ended March 31, 2017
Revenue from operations	19	13,088.93	12,832.76
Other Income	20	4,024.09	4,187.60
<b>Total Revenue</b>		<b>17,113.02</b>	<b>17,020.36</b>
<b>Expenses</b>			
Employee benefit expense	21	525.10	431.53
Finance costs	22	80.76	865.78
Depreciation and amortisation expense	2,3 & 4	805.14	742.67
Other expenses	23	3,031.18	2,494.03
<b>Total Expenses</b>		<b>4,442.18</b>	<b>4,534.01</b>
<b>Profit/(loss) before tax</b>		<b>12,670.84</b>	<b>12,486.35</b>
<b>Tax Expense</b>			
Current tax	6	2,721.39	4,221.89
Deferred tax	6	1,603.68	169.70
<b>Total tax expense</b>		<b>4,325.07</b>	<b>4,391.59</b>
<b>Profit/(loss) for the period</b>		<b>8,345.77</b>	<b>8,094.76</b>
<b>Other comprehensive income</b>			
Items that will not be recycled to profit or loss		-	-
Remeasurements of the defined benefit liabilities / (asset)		(2.35)	(2.50)
Income tax relating to items that will not be reclassified to profit or loss		1.18	0.87
Items that may be reclassified to profit or loss		-	-
Others (specify nature)		-	-
Income tax on items that may be reclassified to profit or loss		-	-
<b>Total Other comprehensive income, net of tax</b>		<b>(1.17)</b>	<b>(1.63)</b>
<b>Total comprehensive income for the period</b>		<b>8,344.60</b>	<b>8,093.13</b>
Earnings per equity share			
Basic	26	1.52	1.47
Diluted	26	1.52	1.47

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For GRSM & Associates**  
**Chartered Accountants**

Firm Registration No.- 000863S

Sd/-  
**V Madhavan**  
Partner  
M No.028113

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

Sd/-  
**M. Selvakumar**  
Managing Director  
DIN 07799398

Sd/-  
**Chandan Kumar Das**  
Chief Financial Officer

Sd/-  
**S.P. Gupta**  
Director  
DIN - 07236361

Sd/-  
**Sachin Jayaswal**  
Company Secretary

Place : Bangalore  
Date : 10.05.2018

Place : Bangalore  
Date : 10.05.2018



## Statement of Cash flows for the year ended March 31, 2018

(Rs. In lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Cash flow from operating activities:</b>		
Profit for the period before tax	12,670.84	12,486.35
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>		
Depreciation and amortization	805.14	742.67
Loss on disposal of fixed assets	2.25	3.24
Interest income on fixed deposits	(3,969.45)	(4,001.07)
Provision for Recompense	0.04	831.78
Other adjustments	80.72	(49.30)
<b>Changes in assets and liabilities</b>		
Trade receivables	(435.86)	201.59
Other financial assets	(30.04)	(17.69)
Inventories	12.42	27.12
Other assets	(1,440.36)	(18.23)
Trade payables	224.05	(101.50)
Other financial liabilities	22.53	61.61
Provisions and other liabilities	196.17	(2.11)
<b>Cash generated from operations</b>	<b>8,138.45</b>	<b>10,164.46</b>
Income taxes paid	(2,567.35)	(1,807.67)
<b>Net cash generated from operating activities</b>	<b>5,571.10</b>	<b>8,356.79</b>
<b>Cash flow from investing activities:</b>		
Acquisition of property, plant and equipment	(367.99)	(563.96)
Proceeds from sale of property, plant and equipment	0.76	5.20
Capital advances	(439.70)	(635.61)
Bank Deposits not considered as cash and cash equivalents		
Placed	(50.00)	(689.00)
Matured	50.00	724.04
Interest received on fixed deposits	3,566.72	3,501.89
<b>Net cash from investing activities</b>	<b>2,759.79</b>	<b>2,342.56</b>

Rs. In lakhs

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>Cash flow from financing activities:</b>		
Recompense Paid	(9,150.04)	-
Interest on Income tax	(80.72)	(34.00)
Payment of dividends	(4,938.37)	-
<b>Net cash used in financing activities</b>	<b>(14,169.13)</b>	<b>(34.00)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,838.24)</b>	<b>10,665.35</b>
Cash and cash equivalents at the beginning of the period	59,072.75	48,407.40
<b>Cash and cash equivalents at the end of the period</b>	<b>53,234.51</b>	<b>59,072.75</b>

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For GRSM & Associates**  
**Chartered Accountants**

Firm Registration No.- 000863S

**Sd/-**  
**V Madhavan**  
Partner  
M No.028113

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

**Sd/-**  
**M. Selvakumar**  
Managing Director  
DIN 07799398

**Sd/-**  
**S.P. Gupta**  
Director  
DIN - 07236361

**Sd/-**  
**Chandan Kumar Das**  
Chief Financial Officer

**Sd/-**  
**Sachin Jayaswal**  
Company Secretary

Place : Bangalore  
Date : 10.05.2018

Place : Bangalore  
Date : 10.05.2018

## Statement of changes in Equity

(Rs. In lakhs)

Particulars	Equity Share Capital	Other Equity						Total Equity attributable to equity holders of the Company
		Reserves & Surplus			Other comprehensive income			
		Securities premium reserve	Retained earnings	Capital reserve	General reserve	Equity Instruments through other comprehensive income	Debt Instruments through other comprehensive income	
<b>Balance as of April 1, 2016</b>	<b>54,870.73</b>	-	<b>3,098.28</b>	-	-	-	-	<b>57,969.01</b>
<b>Changes in equity for the year ended March 31, 2017</b>								
Changes in equity share capital during the year								
Issue of share capital	-	-	-	-	-	-	-	-
Issue of Bonus shares	-	-	-	-	-	-	-	-
Any Other Change	-	-	-	-	-	-	-	-
Profit for the period	-	8,094.76	-	-	-	-	-	8,094.76
Actuarial gains/(loss) on account of re-measurement of defined benefit plans	-	(1.63)	-	-	-	-	-	(1.63)
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Dividends (including corporate dividend tax)	-	-	-	-	-	-	-	-
<b>Balance as of March 31, 2017</b>	<b>54,870.73</b>	-	<b>11,191.41</b>	-	-	-	-	<b>66,062.14</b>

## Statement of changes in Equity

Particulars	(Rs. in lakhs)									
	Equity Share Capital	Reserves & Surplus				Other Equity				Total Equity attributable to equity holders of the Company
		Securities premium reserve	Retained earnings	Capital reserve	General reserve	Equity Instruments through other comprehensive income	Debt Instruments through other comprehensive income	Other items of other comprehensive income		
Balance as of April 1, 2017	54,870.73	-	11,191.41	-	-	-	-	-	-	66,062.14
Changes in equity for the period 1st April 2017 to 31st March, 2018										
Changes in equity share capital during the year										
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Issue of Bonus shares	-	-	-	-	-	-	-	-	-	-
Any Other Change	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	8,345.77	-	-	-	-	-	-	8,345.77
Actuarial gains/(loss) on account of re-measurement of defined benefit plans	-	-	(1.17)	-	-	-	-	-	-	(1.17)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Interim Dividend [Dividend per Share Rs. 0.90 (Prev Year Rs. Nil)]	-	-	(4,938.37)	-	-	-	-	-	-	(4,938.37)
Tax on Dividends			(1,005.35)							
Balance as of March 31, 2018	54,870.73	-	13,592.29	-	-	-	-	-	-	69,468.37

The accompanying notes 1 to 34 form an integral part of the financial statements

As per our report of even date

**For GRSM & Associates**  
Chartered Accountants

Firm Registration No.- 000863S

Sd/-  
**V Madhavan**  
Partner  
M No.028113

Place : Bangalore  
Date : 10.05.2018

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

Sd/-  
**M. Selvakumar**  
Managing Director  
DIN 07799398

Sd/-  
**S.P. Gupta**  
Director  
DIN - 07236361

Sd/-  
**Chandan Kumar Das**  
Chief Financial Officer

Sd/-  
**Sachin Jayaswal**  
Company Secretary

Place : Bangalore  
Date : 10.05.2018

# Notes to the financial statements for the year ended March 31, 2018

## SIGNIFICANT ACCOUNTING POLICIES

### 1 CORPORATE INFORMATION

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 Companies Terminals at Hassan & Devanagonthi (Bangalore). The Company is a Public Limited Company incorporated & domiciled in India. Its shares are not listed on any recognised stock exchanges in India. The registered office of the company is located at # 32, Darus Salam Building, 1st Floor, Queens Road, Bengaluru, Karnataka- 560 052.

#### 1.1. Statement of Compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind ASs) notified under the Companies (Indian Accounting Standards) Rules, 2015.

#### 1.2. Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

#### 1.2.2 Recent accounting pronouncements

**Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:** Ministry of Corporate Affairs ("MCA") has notified on 28-3-2018, the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration. This amendment explains how to identify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The Company, upon evaluation, expects the effect/impact of this on the financial statements to be 'not material'.

**Ind AS 115- Revenue from Contract with Customers:** Ministry of Corporate Affairs ("MCA") has notified on 28-3-2018, the Ind AS 115, Revenue from Contract with Customers. The main principle behind the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which

the entity expects to be entitled in exchange for those goods or services. The new standard also requires disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect/impact of adoption of Ind AS 115 on the financial statements is expected to be insignificant.

### **1.3. Use of estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and takes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **1.3.1 Useful lives of property, plant and equipment**

The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

#### **1.3.2 Valuation of deferred tax assets**

The company reviews the carrying amount of deferred tax assets at the end of each reporting period. The policy for the same has been explained under Note 1.11.2.

#### **1.3.3 Provisions and contingent liabilities**

A provision is recognised when the Company has a present obligation as a result of past event 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 (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates. Contingent liabilities are

not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

#### **1.4. Current versus non-current classification**

The company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The company has identified twelve months as its operating cycle.

#### **1.5. Assets held for sale**

Non-current assets and disposal groups are classified as held for sale, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

## **1.6. Revenue Recognition**

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### **1.6.1. Income from Services**

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

### **1.6.2. Interest Income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **1.6.3. Other Income**

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

## **1.7. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **1.7.1. The Company as lessee**

Rental expense from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **1.8. Foreign Currency**

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items



that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

## 1.9. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 1.10. **Employee Benefits**

### 1.10.1. **Retirement benefit costs and termination benefits**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement

The company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

### **1.10.2. Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the company in respect of services provided by employees up to the reporting date. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss

### **1.11. Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **1.11.1. Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **1.11.2. Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 1.11.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### 1.12. Property, Plant & Equipment

Land and buildings held for use in the supply of services or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

#### 1.12.1. Depreciation:

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Estimated useful lives of property, plant & equipment is as specified below. Residual value is taken at 5%.

Building	:	30 years
Computer equipment	:	3 years
Plant and Equipment*	:	10 to 15 years
Roads	:	5 years
Pipeline	:	30 years
Office equipment	:	5 years
Furniture and fixtures*	:	7 to 10 years

\*- Based on the evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use the assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Schedule II of the Companies Act, 2013.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **1.13. Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### **1.13.1. Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **1.13.2. Useful lives of intangible assets**

Estimated useful lives of the intangible assets are as follows:

Right of Way : Indefinite

Computer Software : 6 years

### **1.14. Impairment of Non-Financial Assets**

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets with finite life, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **1.15. Inventories**

Inventories that comprise of stores and spares (which qualify as inventories) are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **1.16. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### **1.16.1. Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### **1.17. Financial Instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

##### **1.17.1. Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that

require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### **1.17.2. Classification of financial assets**

#### *Financial assets at amortised cost*

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Financial assets at fair value through other comprehensive income*

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Financial assets at fair value through profit or loss*

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

### **1.17.3. Financial liabilities**

Financial liabilities are measured at amortised cost using the effective interest method.

### **1.17.4 . Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

### **1.17.5 . Impairment of financial assets**

The company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective

interest rate. The company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument.

The company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the company again measures the loss allowance based on 12-month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18, the company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward-looking information.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

#### **1.17.6 . Derecognition of financial assets**

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred

financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On de-recognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### **1.18. Cash and Cash Equivalents**

The company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

#### **1.19. Trade Receivables**

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

#### **1.20. Trade & other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **1.21. Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.



The Company depreciates building component of investment property over 30 years from the date of original construction, based on the useful life prescribed in Schedule II to the Companies Act, 2013 using the straight-line method. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Though the company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based either on the latest available information based on 'stamp duty – annual statement of rates' applicable to the area in which the land is situated, market comparison approach or on periodical evaluation performed by an external independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

#### **1.22. Earnings per Share**

Basic earnings per share are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The Company does not have any potentially dilutive securities.

#### **1.23. Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **1.24. Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

**Notes to the financial statements for the year ended March 31, 2018**  
**Note No. 2 - Tangible Assets**

(Rs. In lakhs)

Description of Assets	Land - Freehold	Buildings - Freehold	Computers and Data Processing Equipments	Plant and Equipment - Freehold	Roads	Pipeline	Office Equipment	Furniture and Fixtures	Stock of capital spares	Total
<b>I. Gross Block</b>										
Balance as at 1 April, 2017	30.47	1,761.90	22.55	3,611.45	10.43	5,422.71	10.11	58.75	300.87	11,229.24
Additions	-	65.99	1.81	494.99	-	304.64	39.97	34.30	-	941.71
Disposals	-	-	0.33	3.02	-	-	0.06	0.48	-	3.89
Reclassified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March , 2018</b>	<b>30.47</b>	<b>1,827.89</b>	<b>24.03</b>	<b>4,103.41</b>	<b>10.43</b>	<b>5,727.35</b>	<b>50.02</b>	<b>92.58</b>	<b>300.87</b>	<b>12,167.07</b>
<b>II. Accumulated depreciation and impairment for the year 2017-18</b>										
Balance as at 1 April, 2017	-	147.03	8.51	915.56	-	359.45	3.60	8.44	-	1,442.59
Depreciation / amortisation expense for the year	-	78.75	4.71	511.51	-	180.60	2.64	7.53	17.48	803.22
Eliminated on disposal of assets	-	-	0.04	0.77	-	-	-	0.05	-	0.86
Eliminated on reclassification as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March , 2018</b>	<b>-</b>	<b>225.78</b>	<b>13.18</b>	<b>1,426.30</b>	<b>-</b>	<b>540.05</b>	<b>6.24</b>	<b>15.92</b>	<b>17.48</b>	<b>2,244.95</b>
<b>Net block (I-II)</b>										
<b>Balance as on 31st March 2018</b>	<b>30.47</b>	<b>1,602.11</b>	<b>10.85</b>	<b>2,677.11</b>	<b>10.43</b>	<b>5,187.30</b>	<b>43.78</b>	<b>76.66</b>	<b>283.39</b>	<b>9,922.12</b>
Balance as on 31st March 2017	30.47	1,614.87	14.04	2,695.89	10.43	5,063.26	6.51	50.31	300.87	9,786.65

(Rs. In lakhs)

Description of Assets	Land - Freehold	Buildings - Freehold	Computers and Data Processing Equipments	Plant and Equipment - Freehold	Roads	Pipeline	Office Equipment	Furniture and Fixtures	Stock of capital spares	Total
<b>I. Gross Block</b>										
Balance as at 1 April, 2016	30.47	1,667.70	14.32	3,007.52	10.43	5,422.71	8.07	34.16	300.87	10,496.26
Additions	-	94.20	8.23	616.00	-	-	2.04	24.59	-	745.06
Disposals	-	-	-	12.07	-	-	-	-	-	12.07
Reclassified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March, 2017</b>	<b>30.47</b>	<b>1,761.90</b>	<b>22.55</b>	<b>3,611.45</b>	<b>10.43</b>	<b>5,422.71</b>	<b>10.11</b>	<b>58.75</b>	<b>300.87</b>	<b>11,229.24</b>
<b>II. Accumulated depreciation and impairment for the year 2016-2017</b>										
Balance as at 1 April, 2016	-	70.83	4.92	445.08	-	179.80	1.73	3.24	-	705.60
Depreciation / amortisation expense for the year	-	76.20	3.59	474.12	-	179.65	1.87	5.20	-	740.63
Eliminated on disposal of assets	-	-	-	3.64	-	-	-	-	-	3.64
Eliminated on reclassification as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March, 2017</b>	<b>-</b>	<b>147.03</b>	<b>8.51</b>	<b>915.56</b>	<b>-</b>	<b>359.45</b>	<b>3.60</b>	<b>8.44</b>	<b>-</b>	<b>1,442.59</b>
<b>Net block (I-II)</b>										
<b>Balance as on 31st March 2017</b>	<b>30.47</b>	<b>1,614.87</b>	<b>14.04</b>	<b>2,695.89</b>	<b>10.43</b>	<b>5,063.26</b>	<b>6.51</b>	<b>50.31</b>	<b>300.87</b>	<b>9,786.65</b>
Balance as on 31st March 2016	30.47	1,596.87	9.40	2,562.44	10.43	5,242.91	6.34	30.92	300.87	9,790.66

**Notes:**

- 1) The Company is still in the process of getting registered its acquisition of Land at seven locations, acquired through KIADB for Sectionalised Valve Stations. Until registration of the 'lease cum sale agreement', amount paid towards acquisition is shown as 'Capital advance against land purchase' under Note 7 - Other Non Current Assets.
- 2) Change in estimated useful life of depreciable asset: The Company has determined the useful life of its uninstalled capital spares consisting of pipeline to be the same as that of pipeline viz., 30 years, based on technical advice. Previously, the commencement of useful life was deferred until the pipe was installed. This has resulted in an increased depreciation of the current period by Rs.17.48 lakhs. During the remaining sixteen years of useful life of the asset, depreciation charge shall continue to be higher by Rs.17.48 lakhs, as compared to the depreciation charge on the asset in the previous years.
- 3) Assets pledged as security:- Assets to the extent of Rs. 15,062.75 lacs (Previous year 15,062.75 lacs) have been pledged to secure borrowings in respect of the Zero Coupon Bonds. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. The Company has repaid the Zero Coupon Bond in full along with the recompense amount and awaiting NOC from one of the Bond holders to file satisfaction of charge and hence the Charge with the Registrar of Companies is still subsisting.

## Notes to the Financial Statements for the year ended March 31, 2018

## Note No. 2.1 - Capital Work In Progress

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Unallocated Capital Expenditure	436.39	571.45
Construction Period Expenses	-	-
<b>Total</b>	<b>436.39</b>	<b>571.45</b>

## Note No. 3 - Investment Property

(Rs. In lakhs)

Description of Assets	Land	Building	Total
<b>I. Gross Block</b>			
<b>Balance as at 1 April, 2017</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
Additions relating to acquisitions	-	-	-
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2018</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
<b>II. Accumulated depreciation and impairment for the year 2017-18</b>			
<b>Balance as at 1 April, 2017</b>	-	<b>0.24</b>	<b>0.24</b>
Depreciation expense for the year	-	0.12	0.12
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2018</b>	-	<b>0.36</b>	<b>0.36</b>
<b>Net block (I-II)</b>			
<b>Balance as at 31 March, 2018</b>	<b>5.17</b>	<b>2.64</b>	<b>7.81</b>
Balance as on 31st March 2017	5.17	2.76	7.93
<b>Description of Assets</b>	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>I. Gross Block</b>			
<b>Balance as at 1 April, 2016</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
Additions relating to acquisitions	-	-	-
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2017</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
<b>II. Accumulated depreciation and impairment for the year 2016-2017</b>			
<b>Balance as at 1 April, 2016</b>	-	<b>0.12</b>	<b>0.12</b>
Depreciation expense for the year	-	0.12	0.12
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2017</b>	-	<b>0.24</b>	<b>0.24</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31st March 2017</b>	<b>5.17</b>	<b>2.76</b>	<b>7.93</b>
Balance as on 31st March 2016	5.17	2.88	8.05

Assets pledged as security:- Land & Building at Mehsana, Gujarat with carrying amount of Rs.7.81 lakhs (as at March 31, 2017: Rs.7.93 lakhs) has been pledged to secure borrowings in respect of the Zero Coupon Bonds. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. The Company has paid the recompense amount during the financial year and is in the process of removing the charge with the Registrar of Companies.

There were no Income earned or expenditure incurred on the above Investment Property other than land revenue tax of Rs. 0.08 lakhs during the current year (Previous year Rs. 0.11 lakhs) and depreciation mentioned above. The fair value of the Property as per Valuation report dated 17-04-2018 issued by Mr. Feroz N Raaj, Government Approved Valuer is Rs. 21.10 lakhs.

## Notes to the financial statements for the year ended March 31, 2018

## Note No. 4 - Other Intangible Assests

(Rs. In lakhs)

Description of Assets	Right of Way	Software	Total
<b>Intangible Assets</b>			
<b>I. Cost</b>			
<b>Balance as at 1 April, 2017</b>	<b>755.26</b>	<b>11.17</b>	<b>766.43</b>
Additions	0.25	0.77	1.03
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2018</b>	<b>755.51</b>	<b>11.94</b>	<b>767.46</b>
<b>II. Accumulated depreciation and impairment for the year 2017-2018</b>			
<b>Balance as at 1 April, 2017</b>	-	<b>2.84</b>	<b>2.84</b>
Amortisation expense for the year	-	1.80	1.80
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2018</b>	-	<b>4.64</b>	<b>4.64</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31 March, 2018</b>	<b>755.51</b>	<b>7.31</b>	<b>762.82</b>
Balance as on 31st March 2017	755.26	8.33	763.59

Description of Assets	Right of Way	Software	Total
<b>Intangible Assets</b>			
<b>I. Cost or deemed cost</b>			
<b>Balance as at 1 April, 2016</b>	<b>755.26</b>	<b>10.54</b>	<b>765.80</b>
Additions	-	0.63	0.63
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2017</b>	<b>755.26</b>	<b>11.17</b>	<b>766.43</b>
<b>II. Accumulated depreciation and impairment for the year 2016-2017</b>			
<b>Balance as at 1 April, 2016</b>	-	<b>0.92</b>	<b>0.92</b>
Amortisation expense for the year	-	1.92	1.92
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2017</b>	-	<b>2.84</b>	<b>2.84</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31st March 2017</b>	<b>755.26</b>	<b>8.33</b>	<b>763.59</b>
Balance as on 31st March 2016	755.26	9.62	764.88

## Notes:

1) The Company holds a Right of Way for laying Pipeline between Mangalore and Bangalore via Hassan. The cost of acquiring the right has been capitalised as Intangible Assets. The right is an indefinite(perpetual) right with no stipulation over the period of validity. Hence the same is not amortised.

## Notes to the financial statements for the year ended March 31, 2018

## Note 5 - Other Financial Assets

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Non-Current</b>		
(Unsecured, considered good)		
Security Deposits	201.19	171.15
<b>Total</b>	<b>201.19</b>	<b>171.15</b>
<b>Current</b>		
(Unsecured, considered good)		
Security Deposits	7.50	7.50
Interest accrued On Deposits	1,628.56	1,622.57
<b>Total</b>	<b>1,636.06</b>	<b>1,630.07</b>

## Note 6 - Income Taxes

Income tax expense in the statement of profit and loss comprises:

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Current tax for the year	2,721.39	4,232.07
Current tax for Prior years	-	(10.18)
Deferred taxes/ Liability	1,603.68	169.70
<b>Income tax expense</b>	<b>4,325.07</b>	<b>4,391.59</b>

Out of the deferred tax for the period ending 31st March, 2018, Rs. 1,229.57 lacs (P.Y. - Rs. Nil) pertains to MAT Credit Entitlement and balance relates to origination and reversal of temporary differences.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

Income tax expense in the statement of profit and loss comprises:

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Profit before income taxes	12,670.84	12,486.35
Enacted tax rates in India	21.34%	34.61%
Computed expected tax expense	2,704.16	4,321.28
Tax effect due to non-taxable income for Indian tax purposes	-	-
Tax reversals, overseas and domestic	-	-
Effect of exempt non-operating income	-	-
Effect of non-deductible expenses	17.23	315.44
Effect of timing differences	-	(421.32)
Reclassification of revenue as capital expenditure & inventory value change	-	16.67
<b>Income tax expense</b>	<b>2,721.39</b>	<b>4,232.07</b>

The applicable Indian statutory tax rate for financial year 2017-18 and financial year 2016-17 is 34.61%. However, for the financial year 2017-18 the Company is liable to pay tax under Section 115JB of the Income tax Act, 1961 which is 21.3416%

The following table provides the details of income tax assets and income tax liabilities as of March 31, 2018, and March 31, 2017 (Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Income tax assets	481.93	238.71
Current income tax liabilities	-	-
<b>Net current income tax assets/ (liability) at the end</b>	<b>481.93</b>	<b>238.71</b>

The gross movement in the current income tax asset/ (liability) for the year ended March 31, 2018 and March 31, 2017 is as follows:

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Net current income tax asset/ (liability) at the beginning	238.71	640.80
Income tax paid	2,964.11	3,048.07
Income tax refund received	-	(760.02)
MAT Adjustments	-	1,531.75
Current income tax expense	(2,721.39)	(4,232.07)
Current income tax for Prior years	-	10.18
Income tax on other comprehensive income	0.50	-
<b>Net current income tax asset/ (liability) at the end</b>	<b>481.93</b>	<b>238.71</b>

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Deferred income tax assets</b>		
Gratuity payable to employees	12.06	12.32
Compensated absences	20.88	14.56
Trade receivables	83.02	98.67
Recompense expense	-	2,878.77
MAT Credit Entitlement	1,229.57	-
Tax losses carried forward	-	-
Others	-	-
<b>Total deferred income tax assets</b>	<b>1,345.53</b>	<b>3,004.32</b>
<b>Deferred income tax liabilities</b>		
Depreciation impact on PPE, inv Property and intangible assets	(992.77)	(1,047.88)
Others	-	-
<b>Total deferred income tax liabilities</b>	<b>(992.77)</b>	<b>(1,047.88)</b>
<b>Deferred income tax assets after set off</b>	<b>352.76</b>	<b>1,956.44</b>

Deferred tax assets and deferred tax liabilities have been offset as the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the Company will realize the benefits of those deductible differences.

The gross movement in the deferred income tax account for the year ended March 31, 2018 and March 31, 2017, are as follows:

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Net deferred income tax asset at the beginning	1,956.44	3,657.02
Credits / (charge) relating to temporary differences	(1,603.68)	(1,701.45)
Temporary differences on other comprehensive income	0.68	0.87
<b>Net deferred income tax asset at the end</b>	<b>353.44</b>	<b>1,956.44</b>

**Note 7 - Other Non Current Assets**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
(Unsecured, considered good)		
Capital advances		
Against Land	9.71	9.71
Advances other than Capital advances		
Prepaid Expenses	14.00	0.41
Others		
Court Deposit	1,447.03	47.03
Current Tax Assets (Net)	481.93	238.71
<b>Total</b>	<b>1,952.67</b>	<b>295.86</b>

**Notes :** Upon Payment of Allotment Consideration the Company has been given possession of land at 7 different locations. The Company is yet to enter into lease cum sale Agreement with KIADB for these lands. Hence the amount is not yet capitalised as freehold land.

**Note 8 - Inventories**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
(At lower of cost and net realisable value)		
Stores and spares at site	212.46	224.88
<b>Total</b>	<b>212.46</b>	<b>224.88</b>

**Note 9 - Trade Receivables**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Trade receivables, unsecured, considered good	1,528.44	1,092.58
Trade receivables, unsecured, considered doubtful	285.10	285.10
<b>(A)</b>	<b>1,813.54</b>	<b>1,377.68</b>
Less: Allowances for credit losses	285.10	285.10
<b>(B)</b>	<b>285.10</b>	<b>285.10</b>
<b>Total (A-B)</b>	<b>1,528.44</b>	<b>1,092.58</b>



**Note 10 - Cash and cash equivalents**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Cash on hand	0.27	0.44
Balances with banks:		
In current accounts	77.28	46.31
In deposit accounts	53,156.96	59,026.00
<b>Total</b>	<b>53,234.51</b>	<b>59,072.75</b>

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 from the Balance Sheet Date

-	6,505.50
---	----------

**Note 11 - Bank Balance other than above**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Balances with banks:		
In earmarked accounts		
Balance held as security against performance and other guarantee	689.00	689.00
<b>Total</b>	<b>689.00</b>	<b>689.00</b>

**Note 12 - Other Current Assets**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
(Unsecured, considered good)		
Advances other than Capital advances		
Balances with government authorities (other than income taxes)	71.43	51.57
Prepaid Expenses	20.52	13.83
Advance for Expenses	0.19	0.28
Advance to Employees & Others	0.31	-
<b>Total</b>	<b>92.45</b>	<b>65.68</b>

**Note 13 - Assets classified as held for sale**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Project Surplus held for sale	420.34	420.34
	<b>420.34</b>	<b>420.34</b>
Liabilities associated with assets held for sale	-	-
	-	-

The Company intends to dispose of surplus materials used for the pipeline laying project, it no longer utilizes in the next 12 months. These materials are located at various project sites and were purchased for use during construction of pipeline. Efforts are underway to dispose of the project surplus materials to Oil Companies. The Management of the Company expects that, the fair value (less cost to sell) is higher than the carrying amount.

**Note 14 - Equity Share capital**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Authorised</b>		
60,00,00,000 (P.Y.- 60,00,00,000) equity shares of Rs.10 each with voting rights	60,000.00	60,000.00
<b>Total</b>	<b>60,000.00</b>	<b>60,000.00</b>
<b>Issued, subscribed and fully paid up</b>		
54,87,07,264 (P.Y.-54,87,07,264) equity shares of Rs. 10 each with voting rights	54,870.73	54,870.73
<b>Total</b>	<b>54,870.73</b>	<b>54,870.73</b>

Notes:

(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the period.

Particulars	Opening Balance	Fresh Issue	Other Changes	Closing Balance
<b>Equity shares with voting rights</b>				
Year Ended March 31, 2018				
No. of Shares	54,87,07,264	-	-	54,87,07,264
Amount (Rs. in Lakh)	5,48,70.73	-	-	5,48,70.73
Year Ended March 31, 2017				
No. of Shares	54,87,07,264	-	-	54,87,07,264
Amount (Rs. in Lakh)	5,48,70.73	-	-	5,48,70.73

(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:

Particulars	No. of shares	
	As at 31 March, 2018	As at 31 March, 2017
<b>Equity shares with voting rights:</b>		
Hindustan Petroleum Corporation Ltd	17,95,11,020	17,95,11,020
% of holding	32.72%	32.72%
Oil & Natural Gas Corporation Ltd	17,95,11,020	17,95,11,020
% of holding	32.72%	32.72%
State Bank of India	5,00,62,640	5,00,62,640
% of holding	9.12%	9.12%

(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	
	As at	As at
	31 March , 2018	31 March, 2017
<b>Equity shares with voting rights</b>		
Fully paid up pursuant to contract(s) without payment being received in cash.	Nil	Nil
<b>Total</b>	-	-

**Note 14.1 - Other equity**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Retained earnings	13,592.29	11,191.41
<b>Total</b>	<b>13,592.29</b>	<b>11,191.41</b>

**14.1.1 - Retained earnings**

(Rs. In lakhs)

Particulars	Year ended March 31,	
	2018	2017
Balance at beginning of the year	11,191.41	3,098.28
Profit attributable to owners of the Company	8,345.77	8,094.76
Other comprehensive income arising from remeasurement of defined benefit obligation net of income tax	(1.17)	(1.63)
Payments of dividends	(4,938.37)	-
Tax on Dividends	(1,005.35)	-
<b>Balance at the end of the year</b>	<b>13,592.29</b>	<b>11,191.41</b>

**Note 15 - Trade payables**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Non-Current</b>		
Trade payable for goods & services	-	-
<b>Total</b>	-	-
<b>Current</b>		
Trade payable for goods & services	404.60	180.55
<b>Total</b>	<b>404.60</b>	<b>180.55</b>

**Note 16 - Other Financial Liabilities**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Non-Current</b>		
Deposits received from Dealers	0.66	0.66
Retention Money for capital supplies / services	16.75	16.75
Payables for capital supplies/services	640.28	640.28
<b>Total</b>	<b>657.69</b>	<b>657.69</b>
<b>Current</b>		
Deposits received from Dealers	14.67	18.01
Retention Money for capital supplies / services	166.76	124.49
Earnest Money Deposit	40.26	33.92
Dues to Employees & Others	1.01	1.10
Payables for capital supplies/services	206.70	229.35
<b>Total</b>	<b>429.40</b>	<b>406.87</b>

**Note 17 - Provisions**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Non-Current</b>		
Provision for employee benefits		
Provision for compensated absences	61.40	40.97
Provision for gratuity	41.98	34.25
<b>Total</b>	<b>103.38</b>	<b>75.22</b>
<b>Current</b>		
Provision for employee benefits		
Provision for compensated absences	10.31	1.10
Provision for gratuity	1.78	1.36
Provision for Performance Incentives	36.96	29.77
Provision Others:		
Provision for Recompense	-	9,150.00
<b>Total</b>	<b>49.05</b>	<b>9,182.23</b>

**Details of movement in provisions:**

(Rs. In lakhs)

Particulars	Gratuity Provision	Compensated absences	Performance Incentives	Recompense
<b>Balance at April 1, 2016</b>	<b>26.69</b>	<b>33.24</b>	<b>28.12</b>	<b>8,318.22</b>
Additional provisions recognised	8.92	10.81	33.40	831.78
Amounts used (ie incurred and charged against the provision) during the period	-	(1.98)	(31.75)	-
Unused amounts reversed during the period	-	-	-	-
<b>Balance at March 31, 2017</b>	<b>35.61</b>	<b>42.07</b>	<b>29.77</b>	<b>9,150.00</b>

(Rs. In lakhs)

<b>Balance at April 1, 2017</b>	<b>35.61</b>	<b>42.07</b>	<b>29.77</b>	<b>9,150.00</b>
Additional provisions recognised	9.92	31.30	36.96	-
Amounts used (ie incurred and charged against the provision) during the period	(1.77)	(1.66)	(29.77)	(9,150.00)
Unused amounts reversed during the period	-	-	-	-
<b>Balance at March 31, 2018</b>	<b>43.76</b>	<b>71.71</b>	<b>36.96</b>	<b>-</b>

**Note 18 - Other Current Liabilities**

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Statutory dues</b>		
Taxes payable (other than income taxes)	337.21	183.67
Dividend Distribution tax payable	1,005.35	-
<b>Total</b>	<b>1,342.56</b>	<b>183.67</b>

**Note 19 - Revenue from operations**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Sale of Services		
Freight Charges for Transportation of Petroleum Products	13,080.96	12,828.21
Other Operating Income	7.97	4.55
<b>Total</b>	<b>13,088.93</b>	<b>12,832.76</b>

**Notes:**

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

**Note 20 - Other income**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Interest Income		
On Financial Assets at Amortised Cost	3,982.32	4,014.35
On Income Tax Refund	-	83.30
Insurance Claim	5.82	13.83
Liabilities / provisions no longer required written back	16.27	58.96
Other Miscellaneous Incomes	19.68	17.16
<b>Total</b>	<b>4,024.09</b>	<b>4,187.60</b>

**Notes :**

Interest income comprises of:

Interest on Term Deposit	3,969.45	4,001.07
Interest on Security Deposit	12.87	13.27
<b>Total - Interest income</b>	<b>3,982.32</b>	<b>4,014.34</b>

**Note 21 - Employee benefit expense**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
*Salaries and wages including incentives	497.15	406.25
Contributions to provident fund	18.50	16.61
Gratuity	7.57	6.42
Staff welfare expense	1.88	2.25
<b>Total</b>	<b>525.10</b>	<b>431.53</b>

**Notes:**

\*includes Rs.96.66 lakhs (Prev. Yr. Rs.89.00 Lakhs ) being salaries and allowances paid to HPCL Staff members on deputation.

**Note 22 - Finance costs**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Interest on Income Tax	80.72	34.00
Provision for Recompense exp	0.04	831.78
<b>Total</b>	<b>80.76</b>	<b>865.78</b>

**Note 23 - Other expenses**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Power & Fuel	1,625.90	1,456.42
Repair & Maintenance on Plant and Machinery	81.37	73.83
Repair & Maintenance on Buildings	21.39	18.29
Repair & Maintenance - Electricals, ROW & Others	64.36	37.39
Operations and maintenance - Contract Manpower	104.90	84.38
Stores & Spares Consumed	65.88	67.57
Insurance Premium	56.87	54.48
Painting of Station Pipings And equipments	13.49	13.26
Watch and Wards	321.92	177.24
Lease Rent	133.29	117.99
Compensation to CA(LAO) Staff	19.71	12.26
Communication Expense	10.38	13.36
Net loss on foreign currency transactions	0.49	1.25
Net Loss on sale of Fixed Assets	2.25	3.24
Printing & Stationery	7.65	5.99
Professional and Consultancy Charges (Refer Note 23A below)	54.27	34.45
Rates and Taxes	14.69	9.37
Training, Recruitment, Seminar and Mock Drill Expenses	23.08	13.77
Travelling and Conveyance	46.21	40.19
Vehicle Hire Charges	71.56	65.48
Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013.	221.35	115.98
Advertisement for Public Tender	30.37	36.41
Other Expenses	39.80	41.43
<b>Total</b>	<b>3,031.18</b>	<b>2,494.03</b>

**Note 23A - Legal and professional charges include payment to auditors**

(Rs. In lakhs)

(excluding service tax)

Particulars	Year Ended	
	March 31, 2018	March 31, 2017
As auditors		
Statutory audit	1.80	1.80
For Taxation matters	0.72	0.62
For Company Law matters	-	0.15
For other services	0.66	0.75
<b>Total</b>	<b>3.18</b>	<b>3.32</b>

**Note 23B - Value of imports calculated on CIF basis**

(Rs. In lakhs)

Particulars	March 31, 2018	March 31, 2017
Spare Parts	-	0.34
Capital Goods	-	34.67
<b>Total</b>	<b>-</b>	<b>35.01</b>

**Note 23C - Expenditure in Foreign currency**

(Rs. In lakhs)

Particulars	March 31, 2018	March 31, 2017
Intelligent Pigging Expense	106.69	115.73
Others	-	-
<b>Total</b>	<b>106.69</b>	<b>115.73</b>

**Note 24 - Employee Benefits****a. Defined Benefit Plan - Gratuity**

The following tables set out the gratuity plans (unfunded) and the amounts recognized in the Company's financial statements as at March 31, 2018 and March 31, 2017:

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Change in benefit obligations</b>		
Benefit obligations at the beginning	35.61	26.69
Service cost	4.42	4.39
Interest expense	3.15	2.03
Curtailment gain	-	-
Transfer of obligation	-	-
Remeasurements - Actuarial (gains)/ losses	2.35	2.50
Benefits paid	(1.77)	-
<b>Benefit obligations at the end</b>	<b>43.76</b>	<b>35.61</b>
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning	-	-
Interest income	-	-
Transfer of assets	-	-
Remeasurements- Return on plan assets excluding amounts included in interest income	-	-
Contributions	-	-
Benefits paid	-	-
<b>Fair value of plan assets at the end</b>	<b>-</b>	<b>-</b>

Amount for the year ended March 31, 2018 and March 31, 2017 recognized in the Statement of Profit and Loss under employee benefit expenses.

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Service cost	4.42	4.39
Net interest on the defined benefit obligation	3.15	2.03
<b>Net Gratuity Cost</b>	<b>7.57</b>	<b>6.42</b>

Amount for the year ended March 31, 2018 and March 31, 2017 recognized in statement of other comprehensive income:

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
<b>Remeasurements of the net defined benefit liability/ (asset)</b>		
Actuarial (gains) / losses		
(Gain)/loss due to change in demographic assumptions	-	-
(Gain)/loss due to change in financial assumptions	(2.17)	1.41
(Gain)/loss due to experience adjustments	4.52	1.09
(Return) / loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	-	-
	<b>2.35</b>	<b>2.50</b>

The weighted-average assumptions used to determine benefit obligations as at March 31, 2018 and March 31, 2017 are set out below:

Particulars	As at	
	March 31, 2018	March 31, 2017
Discount rate	7.70%	7.30%
Salary escalation rate	5.00%	5.00%
Weighted average duration of defined benefit obligation	16.9 years	16.99 years

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the government securities yield.

#### **b. Long-term employee benefits -Earned and Sick Leave Encashment**

The following tables set out the leave plans and the amounts recognized in the Company's financial statements as at March 31, 2018 and March 31, 2017:



(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
<b>Change in benefit obligations</b>		
Benefit obligations at the beginning	42.07	33.24
Service cost	21.57	42.07
Interest expense	5.82	2.45
Curtailement gain	-	-
Transfer of obligation	-	-
Remeasurements - Actuarial (gains)/ losses	21.01	(33.71)
Benefits paid	(18.76)	(1.98)
<b>Benefit obligations at the end</b>	<b>71.71</b>	<b>42.07</b>
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning	-	-
Interest income	-	-
Transfer of assets	-	-
Remeasurements- Return on plan assets excluding amounts included in interest income	-	-
Contributions	-	-
Benefits paid	-	-
<b>Fair value of plan assets at the end</b>	<b>-</b>	<b>-</b>

Amount for the year ended March 31, 2018 and March 31, 2017 recognized in the Statement of Profit and Loss under employee benefit expenses.

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Service cost	21.57	42.07
Net interest on the defined benefit obligation	5.82	2.45
Actuarial (gains) / losses		
(Gain)/loss due to changes in demographic assumptions	-	-
(Gain)/loss due to changes in financial assumptions	(3.14)	1.89
(Gain)/loss from Plan experience	24.15	(35.60)
Curtailement gain	-	-
<b>Net leave encashment cost</b>	<b>48.40</b>	<b>10.81</b>

The weighted-average assumptions used to determine benefit obligations as at March 31, 2018 and March 31, 2017 are set out below:

Particulars	As at	
	March 31, 2018	March 31, 2017
Discount rate	7.70%	7.30%
Salary escalation rate	5.00%	5.00%

### c. Defined contribution plans-Provident fund

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. 18.50 lakhs (Year ended 31 March, 2017 Rs. 16.61 lakhs) for Provident Fund contributions in the Statement of Profit and Loss under the head Employee Benefits Expense. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

## Note 25 - Financial Instruments

### Financial instruments by category

The carrying value and fair value of financial instruments by categories as of March 31, 2018 were as follows:

(Rs. In lakhs)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/ liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
<b>Assets:</b>							
Cash and cash equivalents (Refer Note 10)	53,234.51	-	-	-	-	53,234.51	53,234.51
Bank Balances other than Cash and cash equivalents (Refer Note 11)	689.00	-	-	-	-	689.00	689.00
Trade receivables (Refer Note 9)	1,528.44	-	-	-	-	1,528.44	1,528.44
Other financial assets (Refer Note 5)	1,837.25	-	-	-	-	1,837.25	1,837.25
<b>Total</b>	<b>57,289.20</b>	-	-	-	-	<b>57,289.20</b>	<b>57,289.20</b>
<b>Liabilities:</b>							
Trade payables (Refer Note 15)	404.60	-	-	-	-	404.60	404.60
Other financial liabilities (Refer Note 16)	1,087.09	-	-	-	-	1,087.09	1,087.09
<b>Total</b>	<b>1,491.69</b>	-	-	-	-	<b>1,491.69</b>	<b>1,491.69</b>

The carrying value and fair value of financial instruments by categories as of March 31, 2017 were as follows:

(Rs. In lakhs)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/ liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
<b>Assets:</b>							
Cash and cash equivalents (Refer Note 10)	59,072.75	-	-	-	-	59,072.75	59,072.75
Bank Balances other than Cash and cash equivalents (Refer Note 11)	689.00	-	-	-	-	689.00	689.00
Trade receivables (Refer Note 9)	1,092.58	-	-	-	-	1,092.58	1,092.58
Other financial assets (Refer Note 5)	1,801.22	-	-	-	-	1,801.22	1,801.22
<b>Total</b>	<b>62,655.55</b>	-	-	-	-	<b>62,655.55</b>	<b>62,655.55</b>

<b>Liabilities:</b>							
Trade payables (Refer Note 15)	180.55	-	-	-	-	180.55	180.55
Other financial liabilities (Refer Note 16)	1,064.56	-	-	-	-	1,064.56	1,064.56
<b>Total</b>	<b>1,245.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,245.11</b>	<b>1,245.11</b>

## Financial risk management

### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance.

### Market risk

The Company has a small amount of international exposure on account of availing services. The exchange rate between rupee and dollar has changed in recent years and may fluctuate in future. However, the impact of this on the Company may not be significant.

The following table analyzes foreign currency risk from financial instruments as on March 31, 2018 and March 31, 2017

(in lakhs)

Particulars	AS at March 31, 2018			AS at March 31, 2017		
	U.S. dollars	Euro	Total	U.S. dollars	Euro	Total
Cash and cash equivalents	-	-	-	-	-	-
Trade payables	1.03	-	1.03	0.12	-	0.12
Net assets / (liabilities)	1.03	-	1.03	0.12	-	0.12

### Credit risk

"Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs.285.10 lakhs and Rs. 285.10 lakhs as of March 31, 2018 and March 31, 2017, respectively. Trade receivables are typically unsecured and are derived from revenue earned from customers. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss.

Based on the past experience, the Company has negligible level of bad debts, as the receivables are mainly from 3 CPSE Customers with whom the Company has a long-term relationship. In practice, expected credit losses are so immaterial that no calculations or loss reserves are required at all. The Company has however, provided for expected credit loss based on lifetime credit loss in respect of old doubtful/disputed receivables. "

### Liquidity risk

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings, except for the re-compense amount that is payable to the consortium of Banks. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

## Note 26 - Earning Per Share

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
	Rs. Per Share	Rs. Per Share
<b>Basic Earnings per share</b>		
From continuing operations	1.52	1.47
From discontinuing operations	-	-
<b>Total basic earnings per share</b>	<b>1.52</b>	<b>1.47</b>

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
<b>Diluted Earnings per share</b>	<b>Rs. Per Share</b>	<b>Rs. Per Share</b>
From continuing operations	1.52	1.47
From discontinuing operations	-	-
<b>Total diluted earnings per share</b>	<b>1.52</b>	<b>1.47</b>

#### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

(Rs. In lakhs )

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Profit / (loss) for the year attributable to owners of the Company	8,344.60	8,093.13
Less: Preference dividend and tax thereon	-	-
Profit / (loss) for the year used in the calculation of basic earnings per share	8,344.60	8,093.13
Profit for the year on discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	-
Profits used in the calculation of basic earnings per share from continuing operations	<b>8,344.60</b>	<b>8,093.13</b>
Weighted average number of equity shares	<b>548,707,264</b>	<b>548,707,264</b>
Earnings per share from continuing operations - Basic (Rs.)	<b>1.52</b>	<b>1.47</b>

#### Diluted earnings per share

The diluted earnings per share has been computed by dividing the Net profit after tax available for Equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock options and Convertible bonds for the respective periods, if any.

(Rs. In lakhs )

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
Profit / (loss) for the year used in the calculation of basic earnings per share	8,344.60	8,093.13
Add: Interest expense and exchange fluctuation on convertible bonds (net) - adjusted for attributable taxes	-	-
Profit / (loss) for the year used in the calculation of diluted earnings per share	8,344.60	8,093.13
Profit for the year on discontinued operations used in the calculation of diluted earnings per share from discontinued operations	-	-
Profits used in the calculation of diluted earnings per share from continuing operations	<b>8,344.60</b>	<b>8,093.13</b>
Weighted average number of equity shares	<b>548,707,264</b>	<b>548,707,264</b>
Earnings per share from continuing operations - Diluted (Rs.)	<b>1.52</b>	<b>1.47</b>

The Company does not have any Instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, hence the Weighted average number of equity shares used in the calculation of Diluted EPS is same as that of Basic EPS

**Note 27 - Related party disclosures**

Nature of relationship	Names of the related parties
Key management personnel (KMP)	M Selvakumar - Managing Director (appointed effective May 1st, 2017) Anil Khurana - Managing Director (resigned effective April 30th, 2017) Kumar Hariharan - Director Rakesh Kaul - Director (appointed effective November 3rd, 2017) Venkatesh Madhava Rao - Director J S Prasad - Director Satya Prakash Gupta - Director Sunil Kumar Gupta - Director (resigned effective October 5th, 2017) Vanita Kumar - Director Chandan Kumar Das - CFO(KMP) Sachin Jayaswal - Company Secretary
Ultimate Holding Company	Oil and Natural Gas Corporation Limited
Fellow Subsidiary	Mangalore Refinery & Petrochemicals Ltd
Investing Party	Hindustan Petroleum Corporation Limited

(Rs. In lakhs)

Transactions between related parties	Year ended	
	March 31, 2018	March 31, 2017
<b>Rendering of services - Freight Charges</b>		
Hindustan Petroleum Corporation Limited	5,993.12	5,603.89
Mangalore Refinery & Petrochemicals Ltd	454.37	-
<b>Land Lease Rent Paid</b>		
Hindustan Petroleum Corporation Limited	120.68	111.84
<b>Receiving of Services - Power Charges Paid</b>		
Mangalore Refinery & Petrochemicals Ltd	410.28	296.08
<b>Reimbursement of Expenses Paid</b>		
Hindustan Petroleum Corporation Limited - Salary & Allowances	140.13	99.53
Hindustan Petroleum Corporation Limited - Purchase of Lube oil	2.24	-
<b>**Remuneration paid to KMP (On Deputation)</b>		
Anil Khurana	7.52	46.53
M selvakumar	44.93	-
<b>Remuneration paid to KMP (others)</b>		
Chandan Kumar Das	15.27	13.67
Sachin Jayaswal	14.49	13.09

\* - All the above services are including service tax Or GST

\*\* - 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

(Rs. In lakhs)

Balances outstanding at the end of the year	As at	
	March 31, 2018	March 31, 2017
<b>Trade Receivable</b>		
Hindustan Petroleum Corporation Limited (Allowances for credit losses Rs. 263.15 lakhs (Prev year Rs. 263.15 lakhs))	867.42	701.06
Mangalore Refinery & Petrochemicals Ltd (Allowances for credit losses Rs. 21.95 lakhs (Prev year Rs. 21.95 lakhs))	81.70	21.95
<b>Trade Payables</b>		
Hindustan Petroleum Corporation Limited	11.46	8.78
Mangalore Refinery & Petrochemicals Ltd	116.24	29.27
<b>Other Financial Assets (Security Deposits)</b>		
Mangalore Refinery & Petrochemicals Ltd	23.38	23.38

**Note 28 - Leases**

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

(Rs. In lakhs)

Particulars	As at	
	March 31, 2018	March 31, 2017
Lease rentals recognised during the year	133.29	118.01
Future minimum lease payments under non cancellable operating leases		
not later than one year	107.07	103.06
later than one year and not later than five years	484.21	462.62
later than five years	1,272.69	1,401.36

**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 agreements 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 29 - Contingent liabilities and commitments (to the extent not provided for)****Contingent liabilities****I. Claims against the company not acknowledged as debt-with respect to: -**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
i) PMHBL v/s. Punj Lloyd Ltd (PLL) - Appeal Case lying with the High Court of Karnataka, Bangalore against the order of City Civil Court Bangalore. - The Company has deposited Rs. 1,400 lakhs as court deposit and interim stay has been granted	2,829.80	2,760.10
ii) PMHBL v/s. Punj Lloyd Ltd (PLL) - (Arbitration Case) – M/s. PLL filed Arbitration case against PMHBL in mainline pipe laying contract.	2,566.22	2,566.22
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.	52.00	52.00
iv) 01Writ 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	21.03	21.03
v) Arbitration case filed by M/s Reunion Engg. Pvt. Limited against PMHBL towards the Electrical & Instrumentation works at PMHBL stations during project. During the year arbitrator has passed an award against the claimaiant.	-	32.94
<b>Total</b>	<b>5,469.05</b>	<b>5,432.29</b>

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

- i) 11 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) which are remanded back to Hasan District Court & Chickmagalur (01 case) District
  - ii) 04 cases filed by Land owners at Mangalore District Court for enhancement of Compensation
  - iii) 01 Writ Petition filed by by the Land owner in the High Court of Karnataka, Bangalore against the order of Chikkamangalure District Court for enhancement of Compensation.
- III.** 1) Performance Bank Guarantee of Rs. 639 lakhs 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 29th June 2020.
- 2) Bank Guarantee of Rs. 27.65 lakhs has been given by the company in favour of M/s PTC India Limited towards 18 days of contracted energy bill as security deposit for purchase of power from Indian Energy Exchange on behalf of the Company.

**IV. Capital Commitments**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances if any)	506.56	460.02

**Note 30 - Corporate Debt Restructuring**

"Under Corporate Debt Restructuring (CDR) the Company has repaid the entire Zero Coupon bond of Rs. 16,444 Lakhs by March 2015. During the year CDR Core Group approved the Recompense amount at Rs. 9,150 Lakhs. Based on the approval, the Company paid the recompense amount and has successfully exited from the CDR.

The Company is in the process of filing satisfaction of Charge with the Registrar of Companies for the charge created against Zero Coupon Bonds."

**Note 31 - Disclosures required for Micro, Small and Medium Enterprises**

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	10.62	14.75
(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	-	-

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 32 - Corporate Social Responsibility

"As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The areas for CSR activities are promoting health care and sanitation, promoting education, employment enhancing vocation skills and livelihood enhancement project, promoting Women empowerment, promoting Environmental sustainability & conservation of Natural Resources and Promoting Rural Development.

A CSR committee has been formed by the company as per the Act. The funds were utilized through the year on the activities which are specified in Schedule VII of the Companies Act, 2013."

Breakup of amount spent during the year on CSR Activities

Rs. In lakhs

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Promoting Education	10.30	11.99
Promoting Preventive Health Care	-	17.37
Rural Development	50.36	25.14
Sanitation	79.43	46.99
Making available Safe Drinking Water	67.41	14.49
Empowering Specially abled person	13.85	-
Total	221.35	115.98



**Note 33 - Operating Segments**

The Company has only one single reportable segment i.e. Transportation of Petroleum Products of Oil Marketing Companies (OMCs').

(Rs. In lakhs)

Particulars	Year ended	
	March 31, 2018	March 31, 2017
Revenue from External Customers		
Within India	13,080.96	12,828.21
Outside India	-	-
Non Current Assets		
Within India	13,081.81	11,425.48
Outside India	-	-
Information about Major External Customers		
Major External Customer No. 1	5,167.57	4,874.62
Major External Customer No. 2	4,277.38	4,232.47
Major External Customer No. 3	3,242.12	3,721.12

**Note 34**

Previous year's figures have been regrouped where necessary to conform to those of the current year's classification.

**For GRSM & Associates**  
**Chartered Accountants**

Firm Registration No.- 000863S

**Sd/-**  
**V. Madhavan**  
 Partner  
 M No.028113

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

**Sd/-**  
**M. Selvakumar**  
 Managing Director  
 DIN - 07799398

**Sd/-**  
**S.P. Gupta**  
 Director  
 DIN - 07236361

**Sd/-**  
**Chandan Kumar Das**  
 Chief Financial Officer

**Sd/-**  
**Sachin Jayaswal**  
 Company Secretary

Place : Bangalore  
 Date : 10.05.2018

Place : Bangalore  
 Date : 10.05.2018



## Petronet MHB Limited

CIN : U85110KA1998PLC024020

Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bangalore - 560 052

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

Tel : 080 - 2226 2317 / 2226 2243

### ATTENDANCE SLIP

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

Notice is hereby given that the 20th Annual General Meeting of the members of Petronet MHB Limited will be held on Friday, 14th September 2018 at 2.30 PM at Hotel Le Meridien, 28, Sankey Road, (Opposite Bangalore Golf Club), Bangalore – 560052.

I / We hereby record my / our presence at the 20th Annual General Meeting of the Company, held on \_\_\_\_\_ at \_\_\_\_\_ at \_\_\_\_\_.

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.



## 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 the .....share of the above named company, hereby appoint

Name..... of Address ..... having email id ..... or falling him

Name..... of Address ..... having email id ..... or falling him

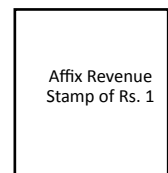
Name..... of Address ..... having email id ..... or falling him

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 20th Annual General Meeting of the Company, to be held on Friday, 14th September 2018 at 2.30 PM at Hotel Le Meridien, 28, Sankey Road, (Opposite Bangalore Golf Club), Bangalore - 560052 and at any adjournment thereof in respect of such resolutions as are indicated below:

Sl	Resolutions	Vote		
		For	Against	Abstain
<b>Ordinary Business</b>				
1	To receive, consider and adopt the audited financial statement of the company for the financial year ended on March 31, 2018 together with the Boards' Report and the Auditors' Report thereon.			
2	To confirm the payment of Interim Dividend of Rs. 0.90 per equity share already paid during the year as the Final Dividend for the financial year ended March 31, 2018.			
3	To appoint a Director in place of Sri J.S. Prasad (DIN: 07673253), 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 as appointed by the Comptroller and Auditor General of India for auditing the accounts of the Company for the financial year 2018-19			
<b>Special Business</b>				
5	To appoint Sri Subhash Kumar (DIN: 07905656) as Director of the Company			
6	To appoint Sri Rakesh Kaul (DIN: 07975342) as Director of the Company			
7	To ratify the remuneration of the Cost Auditor for the financial year ending March 31, 2019			

Signed this ..... day of ..... 2018.

Signature of Shareholder      Signature of proxy holder (s)



**Notes:**

1. 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.
2. Please put a 'V' in the Box in the appropriate column against the respective resolutions. It is optional to indicate your preference. If you leave for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.
3. Appointing a proxy does not prevent a member from attending the meeting in person, if he/she so wishes.

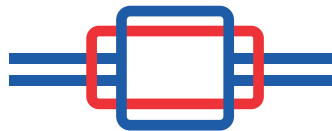
**Route Map To The Venue of The 20th Annual General Meeting  
On Friday, 14th September 2018 At 2.30 P.M.**

**From City Railway Station to Hotel Le Meridien**



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





## Petronet MHB Limited

CIN : U85110KA1998PLC024020

**Registered Office:**

Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasantnagar Bangalore- 560 052.

Ph. 080- 22262317/22262316/22262243. Fax: 080-2226-2242

Email : [headoffice@petronetmhbl.com](mailto:headoffice@petronetmhbl.com)

Website: [www.petronetmhbl.com](http://www.petronetmhbl.com)