

# 22<sup>nd</sup> Annual Report 2019-20



## **Petronet MHB Limited**

CIN : U85110KA1998GOI024020

Head Office : Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar,  
Bengaluru - 560 052.

EPABX No. : 080 - 22262317, 43006225, 22262241, Fax : 91 - 080 - 22262242

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



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## Offices, Auditors & Bankers

### Registered Office :

Corporate Miller  
2nd Floor, Block B, 332/1,  
Thimmaiah Road, Vasanthnagar,  
Bengaluru - 560 052  
Website: www.petronetmhbl.com  
CIN : U85110KA1998GOI024020

### 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,  
Bengaluru- 560067.

### Statutory Auditors :

#### YCRJ & Associates

# 236, 3rd Floor,  
14th Main, 'F' Block,  
Sahkarnagar,  
Bengaluru - 560 092.

### Cost Auditors :

#### Murthy & Co. LLP

Cost & Management Accountants  
# 8, 1st Floor, Bosco Mane Road, 4th Main  
Behind Rameshwara Temple, Chamarajpet  
Bengaluru - 560 018.

### Bankers :

HDFC Bank Ltd.  
State Bank of India &  
Canara Bank

### Registrar & Share Transfer Agent :

Integrator Registry Management  
Services Private Limited

### Depository :

National Securities & Depositories Ltd

### Key Managerial Personnel :

**Sri C. Ramakrishnan**  
Managing Director  
(From 01-05-2020)

**Sri Selvakumar**  
Managing Director  
(Till 30-04-2020)

**Sri Chandan Kumar Das**  
Chief Financial Officer

**Sri Sachin Jayaswal**  
Company Secretary

**Petronet MHB Limited**  
**CIN: U85110KA1998GOI024020**

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

Website: www.petronetmhbl.com, e mail: sachinjayaswal@petronetmhbl.com, Tel: 080-22262317

## Notice of 22nd Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting (AGM) of the members of Petronet MHB Limited will be held on Monday, 21<sup>st</sup> September 2020 at 11.00 AM through Video Conferencing (VC) / Other Audio-Visual Means (OAVM) 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, 2020 together with the Boards' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Sri Subhash Kumar (DIN: 07905656), who retires by rotation and being eligible, offers himself for reappointment.
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 2020-21 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 2020-21"***

### B. Special business

5. To appoint Sri C. Ramakrishnan (DIN: 08736843) 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 C. Ramakrishnan (DIN: 08736843), who was appointed as Additional Director by the Board of Directors effective 01.05.2020 pursuant to the provisions of Section 161 (1) of the Companies Act 2013 and the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and the Company having received a notice in writing, under Section 160 of the Companies Act, 2013 from Sri C. Ramakrishnan, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, not liable to retire by rotation."***

6. To appoint Sri C. Ramakrishnan (DIN: 08736843) as Managing Director of the Company and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

***"Resolved that pursuant to Article 94 of the Articles of Association of the company and in accordance with the provisions of Section 149, 152, 196 and all other applicable provisions of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the members of the Company be and is hereby accorded for the appointment of Sri C. Ramakrishnan (DIN: 08736843) as Managing Director of the company from 01.05.2020 to 31.05.2021, on terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee and the Board of Directors and as summarized below,***

**The remuneration of Sri C. Ramakrishnan with effect from 01.05.2020 as Managing Director, Petronet MHB Limited, subject to the applicable provisions of the Companies Act, 2013, if any and the Rules made thereunder and in keeping with the terms of deputation as advised by Hindustan Petroleum Corporation Limited (HPCL) from time to time shall be as follows:**

<b>Particulars</b>	<b>Rs. in lacs/ Annum</b>
<b>Salary</b>	<b>60.80</b>
<b>Perquisites and allowances</b>	<b>10.40</b>

**The major components of remuneration of Sri C. Ramakrishnan as Managing Director shall include the followings:**

- **Salary - His salary will consist of basic pay, variable DA, Stagnation Increment, Special pay, protected pay, annual/other increments and other allowances as per rules of HPCL (Hindustan Petroleum Corporation Limited). It shall be revised from time to time according to his entitlement in HPCL subject nevertheless to the various provisions of the Companies Act, 2013. In addition, he will be paid Deputation Allowance as per HPCL rules.**
  - **Perquisites and allowances - In addition to salary, the following perquisites and allowances will be provided to him as per the rules of HPCL:**
    - **Housing**
    - **Medical Reimbursement - For him and his family**
    - **Leave Travel Allowance - For him and his family**
    - **Club Fees**
    - **Performance Related Pay**
  - **In addition to above, Sri C. Ramakrishnan will be entitled to the followings as per the rules of HPCL:**
    - **Contribution of Provident Fund / Superannuation Fund / Annuity Fund**
    - **Personal Accident Insurance**
    - **Gratuity**
    - **Reimbursement of entertainment, residential telephone, mobile phone, electricity, newspaper, utilities etc. traveling and all other expenses incurred for the business**
    - **Leave benefits/ Leave Travel Assistance**
    - **For his official duties, he will be reimbursed expenses for operation and maintenance of his Vehicle**
  - **Any other allowances/ perquisites/ payments/ loans/ reimbursements/ advances etc. as may be applicable as per HPCL Rules."**
7. To appoint Smt. Pomila Jaspal (DIN: 08436633) 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, Smt. Pomila Jaspal (DIN: 08436633), who was appointed as Additional Director by the Board of Directors effective 06.03.2020 pursuant to the provisions of Section 161 (1) of the Companies Act 2013 and the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and the Company having received a notice in writing, under Section 160 of the Companies Act, 2013 from Smt. Pomila Jaspal, proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."**

8. To ratify the remuneration of the Cost Auditor for the financial year ending March 31, 2021 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. 50000/- plus applicable taxes plus reimbursement of out-of-pocket expenses incurred for the Audit at actuals payable to M/s Murthy & Co. LLP, 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, 2021 be and is hereby ratified.”***

By the order of the Board



(Sachin Jayaswal)  
Company Secretary

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

Date : 28.08.2020

**NOTES:**

1. In view of COVID 19 pandemic, the Ministry of Corporate Affairs (MCA) has, vide its circular dated May 05, 2020 read together with circulars dated April 08, 2020 and April 13, 2020 (collectively referred as the Circulars) permitted convening the Annual General Meeting (AGM) through Video Conference (VC) or Other Audio Visual Means (OAVM), without the physical presence of members at a common venue. Hence, in accordance with the Circulars, the AGM of the Company is being held through VC/OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
2. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his / her behalf and the proxy need not be a member of the Company. However, since the AGM is being held in accordance with the Circulars through VC/OAVM, the facility for appointment of proxies by the members will not be available.
3. Participation of members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per section 103 of the Companies Act, 2013 ("the Act").
4. Corporate members intending to authorize their representatives to participate and vote at the meeting are requested to send authorization letter to the Company.
5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, Members seeking to inspect such documents can send an email to sachinjayaswal@petronetmhbl.com.
6. Members are requested to address all correspondence to the Company Secretary, Petronet MHB Limited, Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bengaluru, 560052 and email id sachinjayaswal@petronetmhbl.com.
7. Members who need technical assistance before or during the AGM, can contact allan@petronetmhbl.com or call on 08095220387. Kindly quote your name, DP ID-Client ID / Follo no.
8. Members present in the AGM through VC/OAVM can vote by way of show of hands during the AGM.
9. In compliance with the Circulars, the Annual Report 2019-20, the Notice of the 22nd AGM, are being sent only through electronic mode to all the members whose email addresses are registered with the Company / depository participant.
10. Members may also note that the Notice of the 22nd AGM and the Annual Report 2019-20 will also be available on the Company's website, <https://www.petronetmhbl.com/financial-aids/>



11. Since the AGM will be held through VC/OAVM in accordance with the Circulars, the route map, proxy form and attendance slip are not attached to this Notice.
12. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the AGM.
13. Members holding shares in dematerialised mode who have not registered their e-mail addresses with their Depository Participant(s) are requested to register / update their email addresses with the Depository Participant(s) with whom they maintain their demat accounts.
14. Members holding shares in physical mode, who have not registered / updated their email addresses with the Company, are requested to register / update the same by writing to the Company with details of folio number and attaching a self-attested copy of PAN card at sachinjayaswal@petronetmhbl.com.
15. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before Monday, 14th September 2020 through email on sachinjayaswal@petronetmhbl.com.
16. A statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting is annexed hereto.
17. 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 Friday between 10.30AM and 12.30PM upto the date of the Annual General Meeting or electronically during the AGM.
18. Guidelines for participation through VC
  - i. Members may note that the 22<sup>nd</sup> AGM of the Company will be convened through VC/OAVM in compliance with the applicable provisions of the Companies Act, 2013, read with the Circulars. The facility to attend the meeting through VC/OAVM will be provided by the Company. Members may access the same at <https://petronetmhbl.webex.com/petronetmhbl/j.php?MTID=m2bbe20dd53eb6cecc08a026d91fe2c48>
  - ii. The facility of joining the AGM through VC / OAVM will be open 60 minutes before and 15 minutes after the scheduled start-time of the AGM.
  - iii. Members can participate in the AGM through their desktops / smartphones / laptops etc. However, for better experience and smooth participation, it is advisable to join the meeting through desktops / laptops with high-speed internet connectivity.
  - iv. Please note that participants connecting from mobile devices or tablets, or through laptops via mobile hotspot may experience audio / video loss due to fluctuation in their respective networks.
  - v. Provision for poll - Where a poll on any item is required, a member can vote from his registered e mail id to the designated e mail id "pmhblagmpoll@petronetmhbl.com".
  - vi. Steps to join the AGM through VC/OAVM by desktop/ laptop
    - ◆ Click the link given for the VC/OAVM or join through e mail invite
    - ◆ select "Join from your browser". You can join through Google chrome or Firefox or safari or Microsoft edge.
    - ◆ Allow <https://petronetmhbl.webex.com> to set cookies in your browser and to open the [petronetmhbl.webex.com](https://petronetmhbl.webex.com).
    - ◆ Use computer for audio and start video and then "join meeting"
    - ◆ Similar process can be adopted for joining through tablet/ mobile.
19. Pursuant to Section 139 of the Companies Act, 2013, the Auditors of the Company (being a Government Company) are appointed by the Comptroller and Auditor General of India (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 21st Annual General Meeting held on 20.09.2019, authorized the Board of Directors to fix the remuneration of Statutory Auditors appointed for the financial year 2019-20 by the C&AG. Accordingly, the Board of Directors fixed remuneration of 1,80,000/- for the Statutory Auditors for the financial year 2019-20 plus applicable taxes and reimbursement of actual traveling and out of pocket expenses.
20. 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 2020-21, for approval of shareholders.

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

Sri C. Ramakrishnan (DIN: 08736843), nominated by HPCL was appointed as additional Director w.e.f. 01.05.2020 and holds office upto the date of the 22<sup>nd</sup> Annual General Meeting.

The Company has received a notice in writing from Sri C. Ramakrishnan 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 C. Ramakrishnan 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 and they have recommended his candidature for appointment as a Director of the Company at the AGM. Sri C Ramakrishnan has also been appointed as Managing Director of the Company, hence he will not be liable to retire by rotation in line with Article 82 of the Articles of Association of the Company. Sri C. Ramakrishnan does not hold any equity shares in the Company. He is not holding Directorship in any other company.

**Brief Profile of Sri C. Ramakrishnan**

Sri C. Ramakrishnan, aged about 59 years is a Graduate in Mechanical Engg. with about 35 years of experience in HPCL. He has vast experience in the areas of Engg & Projects, Retail Marketing, LPG Marketing, Aviation & Operations. He was heading West Zone Marketing of Retail, LPG for more than 7 years, West Zone being the largest among all Zones of HPCL Marketing. Before deputation to Petronet MHB Limited as Managing Director, he was holding the position of Chief General Manager – Pipeline Operations in HPCL.

Relevant documents in respect of the said item are open for inspection by the members at the Registered office of the company on all working days between 10.30AM and 12.30 PM upto the date of the Annual General Meeting or electronically during the AGM.

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

The Board recommends the ordinary resolution as set out at item no. 5 for approval by the members.

**Item No. 6:**

Sri C. Ramakrishnan, CGM, HPCL has been nominated by HPCL as Managing Director of Petronet MHB Limited and he has accordingly been appointed by the Board of Directors at its 119<sup>th</sup> meeting on 30<sup>th</sup> April 2020 as Managing Director of the Company wef 01.05.2020 till 31.05.2021 in place of Sri Selvakumar, whose tenure as MD, PMHBL came to an end on 30.04.2020 i.e. the date of his superannuation from HPCL.

Sri C. Ramakrishnan, aged about 59 years is a Graduate in Mechanical Engg. with about 35 years of experience in HPCL. He has vast experience in the areas of Engg & Projects, Retail Marketing, LPG Marketing, Aviation & Operations. He was heading West Zone Marketing of Retail, LPG for more than 7 years, West Zone being the largest among all Zones of HPCL Marketing. Before deputation to Petronet MHB Limited as Managing Director, he was holding the position of Chief General Manager – Pipeline Operations in HPCL.

Article 94 and Article 81 of the Articles of Association of the Company prescribes rotational appointment of MD & Chairman between HPCL & ONGC. However the right of rotation has never been exercised by either promoter and the Chairman position is held by ONGC nominee whereas MD position is held by HPCL nominee.

As per the Remuneration Policy for Executive Directors, as approved by the N&R Committee at its 3rd meeting on 03.08.2015, the remuneration of MD, PMHBL is to be governed by the terms of deputation as advised by HPCL. Accordingly, the remuneration and other terms and conditions of appointment of Sri C. Ramakrishnan as MD, PMHBL wef 01.05.2020 has been approved and proposed by the Nomination & remuneration Committee/ Board in line with his entitlement in HPCL, for approval of shareholders.

The remuneration of Sri C Ramakrishnan wef 01.05.2020 as MD, PMHBL is proposed as follows which is in line with his salary in HPCL:

**a) Remuneration:**

The remuneration of Sri C. Ramakrishnan wef 01.05.2020 as MD, PMHBL, subject to the applicable provisions of the Companies Act, 2013 and the Rules made thereunder and in keeping with the terms of deputation as advised by Hindustan Petroleum Corporation Limited (HPCL) from time to time shall be as follows:

Particulars	Rs. in lacs/ Annum
Salary	60.80
Perquisites and allowances	10.40

The major components of remuneration of Sri C. Ramakrishnan as Managing Director shall include the followings:

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

**b) General terms and conditions of appointment as MD, PMHBL**

1. The Managing Director shall exercise and perform such powers and duties as the Board of Directors of the Company (hereinafter called "the Board") shall, from time to time, determine, and subject to any directions and restrictions, from time to time, given and imposed by the Board and further subject to the superintendence, control and direction of the Board, he shall have the general control, management and superintendence of the business of the company with power to appoint and to dismiss employees and enter into contracts on behalf of the Company in the ordinary course of business and to do and perform other acts, deeds, and things, which in the ordinary course of business, he may consider necessary or as per or in the interest of the Company, provided however, that nothing shall be done by the Managing Director which by the Act or the Articles of the Company shall be transacted at a meeting of the Board or which shall not be effective unless approved by the Board or which are not expressly provided.
2. The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Companies Act, 2013 with regard to duties of directors.
3. Without prejudice to the generality of the power vested in the Managing Director hereinabove, Managing Director shall be entitled to exercise the following powers:
  - (i) With the Board's approval, together with the person in charge of Finance for the time being of the company and other personnel authorized by the Board, to open and operate any banking or other account and to draw, make, accept, execute, endorse, discount, negotiate, retire, pay, satisfy and assign cheques, drafts, bills of exchange, promissory notes, hundis, interest and dividend warrants and other negotiable or transferable instruments or securities;
  - (ii) To borrow moneys with or without security, for the purpose of business of the company, as per applicable provisions of the Companies Act, 2013.

- (iii) To invest funds of the company (other than in the shares of the other companies) and fixed deposit with the company's bankers.
  - (iv) To appoint distributors for the sale of the products of the company subject to prior approval of the Board whenever necessary.
  - (v) To ensure that all taxes due to the Central and State Governments and Municipal authorities are paid promptly.
  - (vi) To engage persons in the employment of the Company as per policy approved by the Board.
  - (vii) To increase the salary or the remuneration of any employee of the company and to sanction annual increases as per policy approved by the Board.
  - (viii) To enter into contracts for the purchase of goods for the company subject to applicable provisions of the Companies Act, 2013.
  - (ix) To institute, prosecute, defend, oppose, appear or appeal to, compromise, refer to arbitration, abandon and execution or become non-suited in any legal proceedings including trademarks, trade names, trade property and passing off actions and revenue proceedings relating to customs or excise duties, tax on income, profits and capital and taxation generally or otherwise.
4. The Managing Director shall throughout the said term, devote his entire time, attention and abilities to the business of the company and shall carry out the orders, from time to time, of the Board and in all respect conform to and comply with the directions and regulations made by the Board, and shall faithfully serve the Company and use his utmost endeavors to promote the interests of the company.

**5. Confidential Information:**

- a) The Managing Director shall not, either during or after his tenure hereunder, divulge or utilize any confidential information belonging to the Company or any of its associated companies (including confidential information as to formulae, processes and manufacturing methods, and confidential information as to the business and affairs of the company) which may have come to his knowledge during his tenure hereunder or during his tenure under any previous contract of service with the Company or any of its associated companies, and he shall, both during and after his employment hereunder, take all reasonable precautions to keep all such information secret.
- b) Except so far as may be necessary for the purpose of his duties hereunder, the Managing Director shall not, without the consent of the company, retain or make originals or copies of the telegrams, letters, maps, reports drawing, calculations, specifications, formulae, forms, licenses, agreements or other documents of whatever nature belonging to the company or any of its associated companies, or notes thereof, nor retain samples of specimens in which the company or any of its associated companies may be or may have been interested and which have come into his possession by reason of his tenure hereunder. If on the termination of his tenure hereunder, the Managing Director is in possession of any originals or copies of telegrams, letters, maps, reports, drawings, calculations, specifications, formulae, forms licenses, agreements or other documents of whatever nature belonging to the company or any of its associated companies, or any notes thereof or any such samples or specimens as aforesaid, he shall deliver the same to the company without being asked, except so far as consent to retain them has been given to him by the company. Any such consent shall not of itself relieve the Managing Director from his obligations under sub-paragraph (a) above.

**6. Inventions:**

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

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

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

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

7. The Company shall not be entitled to give such a notice as aforesaid unless, in the judgment of the company, exercised in good faith by such officers as may be appropriate, either
- a) the invention is wholly or partly attributable to the Managing Director's knowledge of or association with any of the company's activities, or
  - b) the invention pertains to or is capable of being operated in connection with any actual or projected activities of the company or of any of the company's associated companies.
8. Where any such notice is given the Managing Director shall, at the expense of the company, provide the company with all such documents, information and assistance, execute all such instrument, and otherwise do all such acts as the company may reasonably require for the purpose of vesting the invention in the company, providing the company with patent and other protections therefore, in any part of the world, or otherwise enabling or assisting the company to exploit and develop the invention and enjoy the property therein, in any country. In any case, in which the Managing Director is not the sole inventor, his obligation, so far as they relate to vesting the invention in the company and enabling or assisting the company to enjoy the property in the invention, shall extend only to such interests in the invention as he is able to secure for the company having regard to the interests of other inventor.
9. If no such notice is given within the said period of four months, then after the expiration of the said period the rights of the Managing Director to publish, exploit, develop and protect the invention shall be subject to the following restrictions only:
- a) The said rights shall not be exercised so as to interfere with the duties of service which the Managing Director owes to the company, and
  - b) If at any time in the judgment of the company exercised in good faith by such officers as may be appropriate, any actual or projected activity of the Managing Director in the exercise of the said rights is or will be inimical to the interests of the company or of any of its associated companies, the company may impose such restricts upon his engaging therein as the company thinks reasonable for the protection of the said interests.
10. The duties of the Managing Director under this Clause shall be part of the normal duties owed by the Managing Director to the company in consideration of the Managing Director's annual or other periodical salary, and the company shall not be bound to provide the Managing Director with any additional reward in respect of the performance of his duties under this Clause. Nevertheless, in order to promote the advancement of technical arts, the company may be in its sole discretion award the Managing Director such ex-gratia recognition as it may think fit whenever in its opinion such recognition is justified having regard to all the circumstances of the case.
11. Without prejudice to its rights under this Clause, the company is prepared in special cases to consider requests from the Managing Director for permission to publish original papers, in an appropriate form, whenever in the opinion of the company the subject matter thereof is calculated to be of benefit to the community.
12. In these Clauses, the expression "the Managing Director" includes the Managing Director's personal representatives, and the expression "invention" includes any new or improved substance, material, plant, machinery or apparatus produced or capable or being produced by manufacturer, any new or improved method or process of manufacture, or of testing or of sampling and any discovery in a field of science or applied technology.

The above particulars of the terms of appointment of and remuneration may be treated as a written memorandum setting out terms of appointment of Sri C. Ramakrishnan under Section 190 of the Companies Act, 2013.

Relevant documents in respect of the said item are open for inspection by the members at the Registered office of the company on all working days between 10.30AM and 12.30 PM upto the date of the Annual General Meeting or electronically during the AGM.

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

The Board recommends the ordinary resolution as set out at item no. 6 for approval by the members.

**Item no. 7:**

Smt. Pomila Jaspal (DIN: 08436633), nominated by ONGC was appointed as additional Director w.e.f. 06.03.2020 and holds office upto the date of the 22<sup>nd</sup> Annual General Meeting.

The Company has received a notice in writing from Smt. Pomila Jaspal pursuant to the provisions of Section 160 of the Companies Act, 2013, proposing her candidature for the office of Director of the Company. The Candidature of Smt. Pomila Jaspal 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 and they have recommended her candidature for appointment as a Director of the Company at the AGM. She is not holding any shares in the Company. She is also holding Directorship in Mangalore Refinery & Petrochemicals Limited and ONGC Mangalore Petrochemicals Limited.

**Brief Profile of Smt. Pomila Jaspal**

Smt. Pomila Jaspal aged about 56 years is a Cost Accountant working as Director (Finance) in MRPL, a Schedule 'A' Navratna under the ONGC group, with 35 years of experience in oil and gas sector, both in operating and regulatory framework of upstream and downstream operations. After joining MRPL, she steered MRPL's maiden NCD issue of Rs. 3,000Cr from market as well as through Bharat Bond ETF and was able to generate fund at very competitive rates. She also monitored OMPL's maiden CCD issuance of Rs. 1,200Cr.

Her educational background is highly accredited and directly contributes to her field of operations. She is a fellow member of ICAI and Gold medalist and recipient of Late Mrs Dhanpati Goel Gold Medal from ICAI. She has obtained B. Com. (Hons) degree from MCM DAV College, Chandigarh and M. Com. from Punjab University. She had a short stint as Lecturer in Degree College.

She joined ONGC in 1985 as Finance & Accounts Officer and has risen to the coveted position of Executive Director – Chief Corporate Finance. She earns the distinction of being the first lady officer in ONGC to occupy this top post. During her initial period, after completing 3 months Induction training at ONGC Academy, she was posted at Head Office, Dehradun and handled key assignments and later with Joint Venture group at JVOG, Mumbai. She further had the opportunity to hone her skills with deputation at Directorate General of Hydrocarbons (DGH) in its formative years and was instrumental in developing the model Production Sharing Contracts (PSC) which was adopted as base document in many pre-NELP & NELP blocks. Subsequently, she was deputed to Contract Cell of MoP&NG where she worked in different areas of gas pricing, Rangarajan Committee, Gas utilization policy, royalty committee, formulation of policies for smooth implementation of PSCs and monitoring the royalty and profit petroleum to GoI. She also carries with her the rich exposure of ONGC Videsh, international arm of ONGC, handling the assignment of In-charge, Project Finance, for execution of almost all overseas projects (Exploration and Development) and was actively involved in smooth takeover and execution of new acquisitions of OVL. Subsequently, she became Head – Finance of Assam Asset, ONGC, and handled this challenging assignment for 4 years. Given her multi-faceted personality, she is a beacon of light for all lady officers to follow their dreams and achieve them through sheer hard work and focused approach.

Relevant documents in respect of the said item are open for inspection by the members at the Registered office of the company on all working days between 10.30AM and 12.30 PM upto the date of the Annual General Meeting or electronically during AGM.

None of the Directors/ Key Managerial Personnel of the Company or their relatives except Smt. Pomila Jaspal is concerned or interested in the resolution.

The Board recommends the ordinary resolution as set out at item no. 7 for approval by the members.

**Item No. 8:**

The Board, on the recommendations of the Audit Committee, approved the appointment of M/s Murthy & Co., LLP 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, 2021.

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

Relevant documents in respect of the said item are open for inspection by the members at the Registered office of the company on all working days between 10.30AM and 12.30PM upto the date of the Annual General Meeting or electronically during the AGM.

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

The Board recommends the ordinary resolution as set out at item no. 8 for approval by the members.

By the order of the Board



(Sachin Jayaswal)  
Company Secretary

**Regd. Office** : Corporate Miller, 2<sup>nd</sup> Floor, Block B,  
332/1, Thimmalah Road, Vasanth Nagar,  
Bengaluru, 560052

**Date** : 28.08.2020

## BOARD'S REPORT

### TO THE MEMBERS

Your Directors take pleasure in presenting to you the 22<sup>nd</sup> Annual Report on business and operations of your Company, together with the Audited Financial statements of the company for the year ended 31<sup>st</sup> March 2020.

It is a matter of great pleasure that the Company completed 17<sup>th</sup> year of successful business operations during 2019-20 and achieved thruput of 2.925MMT(Million Metric Ton). Your company recorded gross operating revenue earnings amounting to Rs. 110.59 Cr. compared to Rs. 158.44 Cr. during 2018-19.

### FINANCIAL HIGHLIGHTS:

Particulars	Rs. In Crore	
	Year 2019-20 (Audited)	Year 2018-19 (Audited)
<b>Physical Performance</b>		
Thruput (in million metric tonne - MMT)	2.925	3.362
<b>Financial performance</b>		
Operating Income	110.59	158.44
Interest & Other Income	51.89	44.58
<b>Total Income</b>	<b>162.48</b>	<b>203.02</b>
Operating Expenses	(34.20)	(37.80)
<b>Profit before depreciation, finance cost and tax</b>	<b>128.28</b>	<b>165.22</b>
Interest Expense	(1.26)	(0.30)
Depreciation	(7.78)	(6.30)
<b>Profit before Taxation (PBT)</b>	<b>119.24</b>	<b>158.62</b>
Prov. for Taxation:		
Current Tax	(27.76)	(34.17)
Deferred Tax	(3.21)	(12.68)
<b>Net Profit after Taxation (PAT)</b>	<b>88.27</b>	<b>111.77</b>
Other comprehensive income	(0.10)	(0.10)
<b>Total Comprehensive Income for the period</b>	<b>88.17</b>	<b>111.67</b>

### Acquisition of Banker's equity by promoters

The Promoters of the Company viz Hindustan Petroleum Corporation Limited (HPCL) and Oil and Natural Gas Corporation Limited (ONGC) equally acquired Banker's entire equity stake in the Company on 28.02.2020 thereby increasing the promoter's stake in the company to 99.993%.

### Subsidiaries, Associates & Joint Ventures

The Company is not having any subsidiary, associate or joint venture.



**PERFORMANCE HIGHLIGHTS:**

Your company achieved thrupt of 2.925 MMT during the year 2019-20 compared to 3.362 MMT achieved during 2018-19.

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

(Figures in MMT)

Year	Hassan Delivery	Devangonhi Delivery	Total Delivery
2019-20	2.433	0.492	2.925
2018-19	2.674	0.688	3.362

- Energy consumption of 105 BTU/MT - KM (Standard for pipeline operations is 50 BTU to 135 BTU).
- Power cost of 21 paisa per MT - KM which is reasonable.
- Operating cost of 58 paisa / MT-KM which is reasonable.
- Revenue Contribution per employee of approx. Rs. 4.64 Cr.
- Capacity utilization of pipeline is 52 % with respect to design capacity of 5.600 MMTPA as compared to capacity utilization of 60 % during 2018-19.
- As a green power initiative, Solar power plant of total 3.828 MWP Capacity is installed. At Mangalore solar power is being used for self-consumption while at Hassan & Devangonhi solar power produced is exported to Neriya for which Wheeling and Banking agreements is in place.
- Certified for ISO Management systems viz QMS 9001:2015, EMS 14001:2015, OHSAS 18001:2007 and EnMS ISO:500012018.
- Scrapper Pigging in Mangalore – Neriya, Neriya – Hassan, Hassan – Intermediate Pigging (IP)station & IP station to Devangonhi section carried out.
- Offsite Mock drills conducted periodically in presence of District & Factories Authorities, Department of Fire & Emergency Services, Police Officials and mutual aid members.

**Safety measures:**

Your company has taken the following safety measures during the year

- Replacement of Complete SCADA system with additional backup server at Devangonhi and lease line connectivity between Mangalore & Bangalore
- Installation of Pipeline Intrusion detection system(PIDS)&upgradation of Telecom System for PIDS and SCADA system requirements.
- Double block bleeding valve (DBBV) installation at Hassan.
- Additional CCTV installation for surveillance at Hassan.
- Heat & Flame detectors installed in mainline pump house at Mangalore and Neriya stations.
- Construction of retaining wall in the land slide and piping area at Neriya.

**FUTURE OUTLOOK****Impact of COVID 19**

The World Health Organization declared Novel Coronavirus (COVID-19) as global pandemic in Feb. 2020. To ensure social distancing to contain the spread of the disease, our offices and stations worked with minimal staff without any disruption in operations. The Company has introduced Work from Home model for employees to enable them work remotely. Our offices and stations are following all steps to ensure a safe working environment. Continuous monitoring of the situation is ensured and COVID – 19 related awareness is disseminated periodically across all levels of the Company.

As a part of its commitment to the Society, under CSR, initiatives are being taken to address preventive health measures for population around the Stations. In addition, loss of income for weaker strata of society has led to starvation, hence emphasis is being placed towards address hunger eradication by supplying food kits to the needy.

The Company is confident that it would be able to tide over the medium to long term challenging economic situation due to COVID – 19 pandemic as it is supported by a strong balance sheet with adequate cash reserve, zero debt, lean manpower, sufficient inventory and no exposure to exchange rate variations. COVID 19 may have some negative impact on the revenue and profitability during FY 2020-21 and its impact is being assessed continuously by the Management. We do not foresee any downsizing of the workforce and its consequent liability in the foreseeable future.

### **Change in nature of business – Nil**

### **Dividend**

In order to augment the resources for future expansion, no dividend for FY 2019-20 is proposed. There is no transfer to Investor Education and Protection Fund (IEPF).

### **Transfer to Reserves**

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

### **Changes in Share Capital–Nil.**

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

The Board of your company presently comprises of following Directors:

1. Sri Subhash Kumar, Chairman
2. Sri C. Ramakrishnan, Managing Director (wef 01.05.2020)
3. Sri Venkatesh Madhava Rao, Director
4. Smt. Pomila Jaspal, Director (wef 06.03.2020)
5. Sri J.S. Prasad, Director
6. Sri Rakesh Kaul, Director
7. Sri R. Sridhar, Director
8. Sri C. Sridhar Goud, Director (wef 06.06.2019)

Sri Selvakumar was Managing Director of the Company till 30.04.2020.

### **Changes in Directorship**

Sri Selvakumar completed his tenure as MD, PMHBL on 30.04.2020. He also superannuated from HPCL on 30.04.2020 and submitted his resignation from the Board wef 30.04.2020. Sri C. Ramakrishnan, nominated by HPCL has taken over as Managing Director of the Company wef 01.05.2020. Sri C. Ramakrishnan is not a Director in any other Company.

Smt. K.G. Vijayalakshmi was appointed as a director with effect from 02.05.2019. In view of her superannuation from ONGC, she submitted her resignation from the Board of PMHBL effective 04.02.2020. In her place, Smt. Pomila Jaspal has been nominated by ONGC on PMHBL Board as Director and she has been appointed as additional director wef 06.03.2020. She is also a director in Mangalore Refinery and Petrochemicals Limited and ONGC Mangalore Petrochemicals Limited.

The Board places on record deep appreciation for valuable contribution made by Sri Selvakumar and Smt. KG Vijayalakshmi during their tenure on the Board of the Company.

### Re-appointments

As per Section 152 of the Companies Act, 2013, Sri Subhash Kumar (DIN: 07905656) and Sri J.S. Prasad (DIN 07673253) are the Directors who will retire by rotation at the ensuing AGM and being eligible, seek re-appointment. The Board recommends their re-appointment.

### Independent Directors

Pursuant to MCA notification dated 05.07.2017, PMHBL being a joint venture is no longer required to have any Independent Directors on the Board.

### Key Managerial Personnel

In line with Section 203 of the Companies Act, 2013, Sri Selvakumar, Managing Director (till 30.04.2020) and Sri C. Ramakrishnan, Managing Director (wef 01.05.2020), Sri Chandan Kumar Das, Chief Financial Officer and Sri Sachin Jayaswal, Company Secretary are the Key Managerial Personnel.

## CORPORATE GOVERNANCE

### Board meeting details:

Five meetings of the Board of Directors were held during the financial year 2019-20 on 29.04.2019, 22.07.2019, 20.09.2019, 26.10.2019 and 31.01.2020. The details of the Directors' attendance areas follows:

Sl. No.	Name of Director	No. of Board meetings held during respective tenure during 2019-20	No. of Board meetings attended during 2019-20
1.	Sri Subhash Kumar	5	3
2.	Sri Selvakumar	5	5
3.	Sri Venkatesh M Rao	5	4
4.	Sri J.S. Prasad	5	4
5.	Sri Rakesh Kaul	5	5
6.	Sri R. Sridhar	5	5
7	Smt. K.G. Vijayalakshmi (from 02.05.2019 till 04.02.2020)	4	2
8	Sri C Sridhar Goud (wef 06.06.2019)	4	4
9	Smt. Pomila Jaspal (wef 06.03.2020)	0	0

### Annual General Meeting Details

Year	Date of AGM
2019	20th Sep. 2019
2018	14th Sep. 2018
2017	22nd Sep. 2017

**Company Policy on Directors Appointment, Remuneration etc.****As per Annexure IA and IB****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 performance evaluation tool for the Directors and the Committees is in the form of questionnaire to be filled up by the Directors. Accordingly, the annual performance evaluation of the Board, Committees, Individual Directors and the Chairman was carried out during the year under review.

**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 2020, 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 2020 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.

**Internal Financial Controls**

The Company has internal financial control system in place which are adequate and operating effectively. Proper system has been laid to ensure that all transactions are executed with general or specific authorization. A well-defined delegation of authority manual is in place. There are procedures in place to ensure recording of all transactions to enable preparation of financial statements in conformity with generally accepted accounting principles and to ensure accountability. Access to all assets of the company is as per general or specific authorization only and a system of verification of assets at periodic interval is in place.

**Legal compliance system**

There is an established system in the company for identification of laws applicable for the company, delegation pertaining to ensuring the compliance is in place, reporting back to company secretary regarding compliance/non-compliance to be established & for rectification of non-compliance.

**Audit Committee**

The Audit Committee of the company presently comprises of three directors namely Sri R. Sridhar (Chairman), Sri J.S. Prasad & Sri Rakesh Kaul. The Audit Committee, at the meeting held on 29.05.2020 reviewed the annual financial statements for the year 2019-20, before its adoption by the Board.

Five meetings of the Audit Committee were held during 2019-20 on 26.04.2019, 22.07.2019, 20.09.2019, 26.10.2019 and 31.01.2020.

### Corporate Social Responsibility Committee

The CSR Committee of the company presently comprises of three directors namely Sri Venkatesh M. Rao (Chairman), Sri J.S. Prasad & Sri C. Ramakrishnan.

Two meetings of the CSR Committee were held during 2019-20 on 09.04.2019 and 11.03.2020.

### Nomination & Remuneration Committee

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

One meeting of the Nomination and Remuneration Committee was held on 22.07.2019.

### 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/csrapolicy-1.pdf>

#### 2. Composition of CSR Committee:

The CSR Committee of the company as on 31.03.2020 Comprised of three directors namely Sri Venkatesh M. Rao (Chairman), Sri J.S. Prasad & Sri Selvakumar

#### 3. CSR Expenditure:

During FY 2019-20, the Company has spent Rs. 274.82 lacs on CSR activities.

	Rs. In lakhs
<b>Average net profit of the company for last three financial years</b>	<b>13673</b>
<b>Prescribed CSR Expenditure for FY 2019-20 (two per cent of the average net profit of last three financial years)</b>	<b>273.46</b>
Details of CSR spent during the FY 2019-20	
• Total amount to be spent for the financial year	273.46
• Total amount spent during the financial year	274.82
• Amount unspent	Nil

The Company has met its CSR target expenditure in line with the statutory requirements. Manner in which the amount has been spent during the financial year & the responsibility statement of the CSR Committee is enclosed as **Annexure II**.

### **Related party transactions**

During the year 2019-20, 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. The Company follows the policy on Related Party Transaction (RPT) as 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 Officer, HPCL with concurrence of MoP&NG, Govt. of India.

### **Risk Management**

The Board of Directors have adopted Risk Management Policy under which Risk Management committees have been constituted with clearly defined roles and responsibilities. Its purpose is to systematize our risk management process, to provide an integrated approach to risks and to standardize the means of assessing, reviewing and reporting on risk and to enhance accountability. The system aggregates and records risks under the framework. Under the Risk framework, the Company has tier structure i.e. Risk Management & Steering Committee (RMSC) comprising of Managing Director, (Chairman) & Chief Risk Officer and Four Risk Management Committee (RMC) encompassing Finance, Legal & Compliance, Procurement & Projects, Human Resource & Operations & IT comprising of concerned functional heads, risk Coordinator, risk Owners & risk mitigation plan owner.

The RMSC oversees the effectiveness of the risk management framework while RMCs periodically reviews the risk register, risk management practices and actions taken for identification, monitoring, mitigation and reporting of key risks to the Board of Directors and 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 2019-20.

#### **Statutory Auditors**

The Comptroller and Auditor General of India (C&AG) have appointed M/s YCRJ & Associates, Chartered Accountants, Bengaluru as Statutory Auditors of your Company for the year 2019-20 and they have audited the Accounts for the year 2019-20. At the 21st Annual General Meeting of the Company, the Board was authorized to fix the remuneration of the Statutory Auditor for the Financial Year 2019-20. The Board has fixed remuneration of Rs. 1.80 lacs plus out of pocket expenses plus GST at applicable rate for the Statutory Auditor for the Financial Year 2019-20. For the year 2020-21, the appointment of Statutory Auditor by C&AG is awaited.

#### **Cost Auditors**

M/s Murthy & Co., LLP, Cost Auditors were appointed as Cost Auditor for the financial year 2019-20 pursuant to Section 148 of the Companies Act 2013 & Companies (Cost Audit records and Audit) Rules, 2014 at a remuneration of Rs. 50,000/- plus GST plus out of pocket expenses & they have conducted the Cost Audit.

#### **Secretarial Auditors**

M/s V. Sreedharan and Associates were appointed as Secretarial Auditor to conduct Secretarial Audit for the financial year 2019-20. The Secretarial Audit Report (MR3) for the financial year ended March 31, 2020 is annexed herewith marked as **Annexure IV** to this Report

**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.

**Cost Audit:**

The Cost Audit for the financial year 2018-19 was carried out and the Cost Audit Reports were filed with the Ministry of Corporate Affairs during the year under review, before the stipulated date of filing.

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

Your Company has put in place a comprehensive Implementation guideline for prevention of Sexual Harassment in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees, whether permanent, contractual, temporary and trainees are covered under this Guidelines.

An Internal Complaints Committee is also in place to redress complaints received regarding sexual harassment. The Committee has prepared annual report and submitted the same to the concerned authorities. During the year under review the details of complaints received are as follows:

- No. of complaints pending at the beginning of the year - Nil
- No. of complaints received during the year - Nil
- No. of complaints disposed of - Not applicable
- No. of complaints pending at the end of the year - Nil

**Extract of Annual Return (MGT 9)**

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

The Annual return of the company shall be available at weblink <https://www.petronetmhbl.com/corporate-governance-disclosures/>

**Particulars of loans given, investments made, guarantees given and securities provided**

Nil

**Particulars of Energy conservation, technology absorption and foreign exchange earnings and outgo required under the Companies (Accounts) Rules, 2014**

The details are as per *Annexure VI*.

**Managerial remuneration & Particulars of employees and related disclosure**

Your Company, being a Government Company, is exempted to furnish information under Section 197 of Companies Act, 2013 vide Ministry of Corporate Affairs (MCA) Notification dated 05.06.2015.

**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 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.

## Significant orders passed by Regulator

### Tariff order

The pipeline tariff rate as per the PNGRB Order No. TO/2019-20/03 dated 04.06.2019 was applicable from 1st April, 2019 to 31st December, 2019, maintaining the pipeline tariff at existing level of 75% of Rail Tariff on equivalent rail distance along the Pipeline route. PNGRB yet to issue the Tariff Order effective from 1st January, 2020 onwards.

### PNGRB Pipeline Tariff regulation:

PNGRB vide public Notice dated 19.02.2020 called for views of stakeholders on the Proposed draft amendment Regulations on Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Product Pipeline Transportation Tariff) Regulation, 2010 by benchmarking with alternate Transport i.e. rail tariff @ 75% for the actual pipeline distance in place of existing regulation of actual rail distance.

An Open House discussion with stakeholders was held on 15.06.2020 on the above issue. PMHBL reiterated its stand to maintain the pipeline tariff benchmarked against actual rail distance as per the existing regulation. The outcome of the open house session is awaited.

### EOI for extension of Pipeline from Hassan to Chitradurga:

Your Company filed EOI with PNGRB for laying Petroleum Product Pipeline from Hassan to Chitradurga in Karnataka State. However, PNGRB decided to invite bids for laying of Petroleum Product Pipeline from Devangonathi to Chitradurga. The review petition filed by the Company with PNGRB was rejected by PNGRB vide its order dated 13.03.2019. An appeal is preferred with the appellate authority against the order of PNGRB rejecting PMHBL review application in the Appellate Tribunal and the same is at a hearing stage.

### Human Resource & Industrial relations

Industrial relations across the Company remained cordial during the year. Compliance of safety rules, norms and procedures is ensured and closely monitored. Safety related workshops are regularly held to sensitise the workers.

The Company strives to promote a collaborative and participative work culture and reward for individual contribution. The Company believe in lifelong learning and competency development for its employees and offer ample opportunities to learn and grow to ensure their career never stands still.

### Acknowledgements

We wish to place on record appreciation for the Oil Marketing Companies, Mangalore Refinery & Petrochemicals Limited and suppliers for the support and confidence reposed by them in the Company.

We place on record our appreciation for the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity and support.

We also take this opportunity to gratefully acknowledge the continuous support, guidance and assistance provided by Ministry of Petroleum and Natural Gas, Petroleum & Natural Gas Regulatory Board, State Government Officials and the Management of the promoter companies.

For and on behalf of the Board of Directors

PLACE: NEW DELHI  
DATE: 29.07.2020

Sd/-  
(SUBHASH KUMAR)  
CHAIRMAN



**Annexure IA****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 IB****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 viz 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 II

Details of amount spent on CSR Activities during the FY 2019-20							(Rs. In lakhs)	
1	2	3	4	5	6	7	8	9
SL No	PMHBL Location	CSR Project or Activity Identified	Sector in which the Project is Covered	Project Programs (1) Local Area or Other (2) Specify the State and District where Projects or Programs was Undertaken	Amount - Outlay (Budget) Project or Programs wise	Amount Spent on the Projects or Programs Sub - heads (1) Direct Expenditure on Projects or Programs (2) Overheads	Cumulative Expenditure upto the Reporting Period	Amount Spent: Direct or through Implementing Agencies
1	Hassan	Supply of Three-Seater Steel Tandem Chairs with Arms at Govt. PU College for Girls at Hassan Jurisdiction	Cl.(ii) Promoting Education	Karnataka - Hassan	3.60	3.60	3.60	Direct
2	Neriya	Supply & Installation of 9 Mtr. Height LED Flood Light Poles at Neriya Jurisdictional ROU Locations under Neriya Jurisdiction.	Cl.(iv) Conservation of Natural Resources	Karnataka - Dakshin Kannada	12.46	12.45	12.45	Direct
3	Hassan	Supply of Computer Table and Chair at Schools under Hassan Station Jurisdiction.	Cl.(ii) Promoting Education	Karnataka - Hassan	2.20	2.20	2.20	Direct
4	Mangalore	Construction of Boys Toilet at D.K.Z.P. Higher Primary School, Acharipalke, Bantwal Taluk under Mangalore Jurisdiction.	Cl.(i) - Health Care & Sanitation	Karnataka - Dakshin Kannada	5.08	4.05	4.05	Direct
5	Mangalore	Construction and Providing Underground Water Storage Tank at D.K.Z.P. High School, Malali, Mangalore Taluk under Mangalore Jurisdiction.	Cl. (x) Rural Development	Karnataka - Dakshin Kannada	6.89	3.03	3.03	Direct

6	Neriya	Supply & Installation of 9 Mtr. Height LED Flood Light Poles at Neriya Jurisdictional ROU Locations	Cl.(iv) Conservation of Natural Resources	Karnataka - Dakshin Kannada	4.00	3.78	3.78	Direct
7	Hassan	Supply of Sanitary Napkins during the year for 13 vending machines	Cl.(i) - Health Care & Sanitation	Karnataka - Hassan	3.00	1.05	1.05	Direct
8	Devangonthi	Installation & commissioning of 6mts height 15 w double arm solar street lights at Devangonthi Station Jurisdiction villages	Cl.(iv) Conservation of Natural Resources	Karnataka-Bangalore Rural	3.45	3.45	3.45	Direct
9	Hassan	Installation & commissioning of 6mts height 15 w double arm solar street lights at Hassan Station Jurisdiction villages	Cl.(iv) Conservation of Natural Resources	Karnataka - Hassan	2.51	2.51	2.51	Direct
10	Hassan	Supply of class room desk and bench	Cl.(ii) Promoting Education	Karnataka - Hassan	27.10	25.00	25.00	Direct
11	Hassan	Supply and installation of 6mtr x15 watt double arm LED Solar lights Including AMC	Cl.(iv) Conservation of Natural Resources	Karnataka - Hassan	53.64	31.42	31.42	Direct
12	Hassan	Supply, Installation and commissioning of projectors with tripod stand and screen	Cl.(ii) Promoting Education	Karnataka - Hassan	6.00	3.15	3.15	Direct
13	Hassan	Supply, Installation and commissioning of computer system with UPS and printer cum scanner facility with table and chair	Cl.(ii) Promoting Education	Karnataka - Hassan	11.30	8.16	8.16	Direct
14	Devangonthi	Supply and installation of 100 Nos LED solar street lights under DKN jurisdiction	Cl.(iv) Conservation of Natural Resources	Karnataka-Bangalore Rural	42.57	24.93	24.93	Direct
15	Devangonthi	Construction of 10 no's of bus shelter in villages under DKN jurisdiction	Cl. (x) Rural Development	Karnataka-Bangalore Rural	35.00	28.85	28.85	Direct

16	Devangonhi	Supply of school bags, benches, desk, almirah & computers for government schools in villages under DKN jurisdiction	Cl.(ii) Promoting Education	Karnataka-Bangalore Rural	5.00	8.63	8.63	Direct
17	Mangalore	Construction & Providing Laboratory Building with Lab Equipment	Cl.(ii) Promoting Education	Karnataka - Dakshin Kannada	30.00	37.23	37.23	Direct
18	Mangalore	Providing Waste Disposal Vehicle	Cl. (x) Rural Development	Karnataka - Dakshin Kannada	5.50	5.38	5.38	Direct
19	Mangalore	Providing School Bags & Stationeries to School Children	Cl.(ii) Promoting Education	Karnataka - Dakshin Kannada	3.20	2.63	2.63	Direct
20	Neriya	Providing Automatic Haematology Analyzer to Govt Primary Health Canters under D.K Dist.	Cl.(i) - Heath Care & Sanitation	Karnataka - Dakshin Kannada	12.50	13.51	13.51	Direct
21	Mangalore	Construction of toilet block	Cl.(i) - Heath Care & Sanitation	Karnataka - Dakshin Kannada	25.00	20.17	20.17	Direct
22	Neriya	Garbage Disposal Vehicle for collecting the waste generated in the villages under Neriya	Cl. (x) Rural Development	Karnataka - Dakshin Kannada	11.00	10.76	10.76	Direct
23	Mangalore	Borewell & its allied work for drinking water of Pilikala of Neriya Village Tq.: Belthangady, Achardi Village Tq: Sakleshpura, Govt. Higher Primary School, Siddabailu Tq: Belthangady, DKDZ Higher Primary School, Nala, Tq: Belthangady	Cl.(i) - Heath Care & Sanitation	Karnataka - Dakshin Kannada	16.00	15.20	15.20	Direct
24	All Locations	Swachhata Pakhwada Campaigns	Cl.(i) - Heath Care & Sanitation	Karnataka - Dakshin Kannada, Hassan & Bangalore Rural	3.68	3.68	3.68	Direct
<b>Grand Total</b>					<b>330.68</b>	<b>274.82</b>	<b>274.82</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/-

**C. Ramakrishnan**  
Managing Director

Date: 27.07.2020

Sd/-

**Venkaatesh M Rao**  
Chairman, CSR Committee

## Annexure III

## Form No. AOC-2

Form for disclosure of particulars of contract/ 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 arm's length transaction under third proviso thereto

## 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				
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 year from 01.04.2019 to 31.03.2020	As per PNGRB Tariff order	54.54	29.04.2019	Nil
2	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Transportation tariff	For the year from 01.04.2019 to 31.03.2020	As per PNGRB Tariff order	1.61	29.04.2019	Nil
3	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Power purchase	For the year from 01.04.2019 to 31.03.2020	As per agreement	3.06	29.04.2019	Nil
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 year from 01.04.2019 to 31.03.2020	As per agreement	1.32	29.04.2019	Nil

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 year from 01.04.2019 to 31.03.2020	As per agreed ratio	1.76	29.04.2019	Nil
6	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Purchase of Lube & HP Cormit oil	For the year from 01.04.2019 to 31.03.2020	As per Market rate	0.25	29.04.2019	Nil
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 year from 01.04.2019 to 31.03.2020	As per deputation policy	1.94	29.04.2019	Nil
8	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Sale of Project Surplus	For the year from 01.04.2019 to 31.03.2020	As per approved rate	0.14	29.04.2019	Nil
9	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Product Down gradation Cost	For the year from 01.04.2019 to 31.03.2020	As per Actual Cost	0.065	29.04.2019	Nil
10	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Sale of excess solar power	For the year from 01.04.2019 to 31.03.2020	As per agreed ratio	0.19	29.04.2019	Nil
11	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Interest earned on Security Deposit	For the year from 01.04.2019 to 31.03.2020	As per agreed KERC Rate	0.15	29.04.2019	Nil

12	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Leasing of Pipeline corridor and MFM facility to MRPL	For the year from 01.04.2019 to 31.03.2020	As per agreement	0.05	29.04.2019	Nil
13	Hindustan Petroleum Corporation Limited (HPCL)	Subsidiary of a holding company to which it is also a subsidiary/ investing company	Write off of receivables	For the year from 01.04.2019 to 31.03.2020	Receivables pertaining to prior PNGRB Tariff regime (i.e. from Apr 2004 to Dec. 2010)	2.63	29.05.2020	Nil
14	Mangalore refinery and Petrochemicals Limited (MRPL)	Subsidiary of a holding company to which it is also a subsidiary	Write off of receivables	For the year from 01.04.2019 to 31.03.2020	Receivables pertaining to prior PNGRB Tariff regime (i.e. from Apr 2004 to Dec. 2010)	0.22	29.05.2020	Nil

## 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: 31.03.2020

To,  
The Members  
**PETRONET MHB LIMITED**  
Corporate Miller, 2nd Floor,  
Block B, 332/1, Thimmaiah Road,  
Vasanth Nagar, Bengaluru- 560052  
CIN: U85110KA1998GOI024020

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, 2020 (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, 2020 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;
- 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.

With effect from January 31, 2018, the company (a Joint Venture Company) has become a Government Company by virtue of becoming a Subsidiary of ONGC Ltd.

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

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 SEBI ICDR Regulations, 2018
  - (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 SEBI (Buyback of Securities) Regulations, 2018;
  - (h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 (Government Company)

We further report that

The Board of directors of the Company is duly constituted. 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.

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 and Qualifications 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 company is not required to appoint Independent Directors. **Being a Joint Venture Company, it is exempted from compliance vide sub-rule 2 of Rule 4 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 vide amendment w.e.f. July 5, 2017.**

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 transfer from various banks of 9,48,22,632 equity shares of Rs. 10/- each to Oil and Natural Gas Corporation Ltd. and 9,48,22,632 equity shares of Rs. 10/- each to Hindustan Petroleum Corporation Ltd., there were no other events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, etc.

**For V Sreedharan & Associates**

**Place: Bengaluru**  
**Date: July 22, 2020**  
**UDIN Number: F002347B000487381**

**Sd/-**  
**V Sreedharan**  
**Partner**  
**FCS 2347: CP no. 833**

This report is to be read with our letter of even date which is annexed as Annexure 1 and forms an integral part of this report.

**'Annexure -1'**

To,

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

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For V Sreedharan & Associates**

**Place: Bengaluru**  
**Date: July 22, 2020**  
**UDIN Number: F002347B000487381**

**Sd/-**  
**V Sreedharan**  
**Partner**  
**FCS 2347: CP no. 833**

**Annexure V****Form No. MGT-9  
EXTRACT OF ANNUAL RETURN****As on the financial year ended on March 31, 2020**

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	U85110KA1998GOI024020
2. Registration Date	31-07-1998
3. Name of the Company	Petronet MHB Limited
4. Category / Sub-Category of the Company	Company limited by Shares/ Union Government Company
5. Address of the Registered office and contact details	Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bengaluru- 560052 Ph. 080-22262317/22262243, E mail: sachinjayaswal@petronetmhbl.com Website: www.petronetmhbl.com
6. Whether listed company Yes / No	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Registry Management Services Private Limited No 30 Ramana Residency, 4th Cross Sampige Road Malleswaram, Bengaluru - 560 003 CIN: U74900TN2015PTC101466 SEBI Reg no : INR0000544 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**

Sl. No	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Oil and Natural Gas Corporation Limited	L74899DL19 93GOI054155	Holding	99.993*	2(46)

\* ONGC and its subsidiary HPCL each are holding 49.996% equity in Petronet MHB Limited.

## 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	0	40	40	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	359022040	0	359022040	65.44	548667304	0	548667304	99.993	34.553
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1)</b>	<b>359022040</b>	<b>0</b>	<b>359022040</b>	<b>65.44</b>	<b>548667304</b>	<b>40</b>	<b>548667344</b>	<b>99.993</b>	<b>34.553</b>
<b>(2) Foreign</b>									
a) NRIs - individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>359022040</b>	<b>0</b>	<b>359022040</b>	<b>65.44</b>	<b>548667304</b>	<b>40</b>	<b>548667344</b>	<b>99.993</b>	<b>34.553</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	189685184	0	189685184	34.56	39920	0	39920	0.007	-34.553
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):</b>	<b>189685184</b>	<b>0</b>	<b>189685184</b>	<b>34.56</b>	<b>39920</b>	<b>0</b>	<b>39920</b>	<b>0.007</b>	<b>-34.553</b>

<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	40	40	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	0
<b>c) Others(specify)</b>	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(2):</b>	<b>0</b>	<b>40</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Public Shareholding (B)=(B)(1) +(B)(2)</b>	<b>189685184</b>	<b>40</b>	<b>189685224</b>	<b>34.56</b>	<b>39920</b>	<b>0</b>	<b>39920</b>	<b>0.007</b>	<b>-34.553</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>548707224</b>	<b>40</b>	<b>548707264</b>	<b>100</b>	<b>548707224</b>	<b>40</b>	<b>548707264</b>	<b>100</b>	<b>0</b>

**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
I	Hindustan Petroleum Corporation Limited (HPCL)	179511020	32.72	0	274333672*	49.996	0	17.276
II	Oil and Natural Gas Corporation Limited (ONGC)	179511020	32.72	0	274333672**	49.996	0	17.276
	<b>Total</b>	<b>359022040</b>	<b>65.44</b>	<b>0</b>	<b>548667344</b>	<b>99.993</b>	<b>0</b>	<b>34.553</b>

\* Twenty shares are held by nominees of HPCL jointly with HPCL (i.e. 4 individual nominees holding 5 shares each jointly with HPCL)

\*\* Twenty shares are held by nominees of ONGC jointly with ONGC (i.e. 4 individual nominees holding 5 shares each jointly with ONGC)

**(iii) Change in Promoters' Shareholding**

Sl. No.	Name and type of transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	Date of transaction	No. of Shares	No. of Shares	% of total shares of the company
I	Hindustan Petroleum Corporation Limited (HPCL)	<b>179511020</b>	<b>32.72</b>				
	Add: Shares purchased by HPCL from:						
	State Bank of India			28.02.2020	25031320		
	Punjab National Bank			28.02.2020	13435039		
	Bank of Baroda			28.02.2020	13442488		
	Canara Bank			28.02.2020	8936826		
	Bank of Maharashtra			28.02.2020	8936885		
	Central Bank of India			28.02.2020	7523587		
	Allahabad Bank			28.02.2020	8943623		
	Union Bank of India			28.02.2020	8572864		
	Shri J S Prasad			06.03.2020	5*		
	Shri S. Bharathan			06.03.2020	5*		
	Shri V. Murali			06.03.2020	5*		
Shri R. Sridhar			06.03.2020	5*	<b>274333672</b>	<b>49.996</b>	
II	Oil and Natural Gas Corporation Limited (ONGC)	<b>179511020</b>	<b>32.72</b>				
	Add: Shares purchased by ONGC from:						
	State Bank of India			28.02.2020	25031320		
	Punjab National Bank			28.02.2020	13435038		
	Bank of Baroda			28.02.2020	13442489		
	Canara Bank			28.02.2020	8936826		
	Bank of Maharashtra			28.02.2020	8936884		
	Central Bank of India			28.02.2020	7523587		
	Allahabad Bank			28.02.2020	8943624		
	Union Bank of India			28.02.2020	8572864		
	Shri J S Prasad			06.03.2020	5**		
	Shri S. Bharathan			06.03.2020	5**		
	Shri V. Murali			06.03.2020	5**		
Shri R. Sridhar			06.03.2020	5**	<b>274333672</b>	<b>49.996</b>	

\* These shares are held by the nominees of HPCL jointly with HPCL.

\*\* These shares are held by the nominees of ONGC jointly with ONGC.

**(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		Transactions during the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	Date of transaction	No. of Shares	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>State Bank of India</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	50062640	9.12	28.02.2020 28.02.2020	25031320 25031320	0	0
2	<b>Vijaya Bank (merged into Bank of Baroda)</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	26884977	4.9	28.02.2020 28.02.2020	13442488 13442489	0	0
3	<b>Punjab National bank</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	26870077	4.9	28.02.2020 28.02.2020	13435039 13435038	0	0
4	<b>Allahabad Bank</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	17887247	3.26	28.02.2020 28.02.2020	8943623 8943624	0	0
5	<b>Bank of Maharashtra</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	17873769	3.26	28.02.2020 28.02.2020	8936885 8936884	0	0
6	<b>Canara Bank</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC C. At the end of the year	17873652	3.25	28.02.2020 28.02.2020	8936826 8936826	0	0

7	<b>Union Bank of India</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC  C. At the end of the year	17145728	3.12	28.02.2020 28.02.2020	8572864 8572864	0	0
8	<b>Central Bank of India</b> A. B. Transfer of Shares to HPCL Transfer of Shares to ONGC  C. At the end of the year	15047174	2.74	28.02.2020 28.02.2020	7523587 7523587	0	0
9	<b>IL&amp;FS Financial Services Ltd.</b> A.  B.  C. At the end of the year	39920	0.007	.....	0	39920	0.007
10	<b>Sri V. Murali</b> A. B. Transfer of Shares to Raminder Singh Sawhney jointly with ONGC  Transfer of Shares to V Murali jointly with HPCL  C. At the end of the year	10	0	06.03.2020  06.03.2020	5  5	5*	0

\* Shares are held jointly with HPCL, hence included and shown under Promoters (HPCL) holding as well.



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

Sl. No.	Directors & KMP	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	Date of transaction	No. of Shares	No. of Shares	% of total shares of the company
1	<b>Sri J. S. Prasad</b> A. At the beginning of the year  B. Transfer of Shares to Chinmoy Saha Roy jointly with ONGC Transfer of Shares to J.S. Prasad jointly with HPCL  C. At the end of the year	10	0	06.03.2020 06.03.2020	5 5	0	0
2	<b>Sri R. Sridhar</b> A. At the beginning of the year  B. Transfer of Shares to Rakesh Kaul jointly with ONGC Transfer of Shares to R Sridhar jointly with HPCL  C. At the end of the year	10	0	06.03.2020 06.03.2020	5 5	0	0
3	<b>Sri Rakesh Kaul jointly with ONGC</b> A. At the beginning of the year  B. Transfer of Shares from Sri R Sridhar to Rakesh Kaul jointly with ONGC  C. At the end of the year	0	0	06.03.2020	5	5*	0
4	<b>Sri R. Sridhar jointly with HPCL</b> A. At the beginning of the year  B. Transfer of Shares from R Sridhar to R Sridhar jointly with HPCL  C. At the end of the year	0	0	06.03.2020	5	5**	0
5	<b>Sri J.S. Prasad jointly with HPCL</b> A. At the beginning of the year  B. Transfer of Shares from Sri J.S.Prasad to J.S. Prasad jointly with HPCL  C. At the end of the year	0	0	06.03.2020	5	5**	0

\* These shares are held by the Director as nominee of ONGC jointly with ONGC, hence are included and shown under Promoter's holding as well.

\*\* These shares are held by the two Directors as nominee of HPCL jointly with HPCL. , hence are included and shown under Promoter's holding as well

**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.
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 Selvakumar	62,31,044
2	Stock Option	-----	-----
3	Sweat Equity	-----	-----
4	Commission - as % of profit - Others, specify...	-----	-----
5	Others, (PF& Other Contributions)	-----	9,04,620
	Total (A)	-----	<b>71,35,664</b>
	Ceiling as per the Act	-----	<b>6,02,24,016</b>

**B. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of Directors	Total Amount in Rs.
1	Independent Directors - Fee for attending board / committee meetings - Commission - Others, please specify	-----	----- ----- -----
	<b>Total (1)</b>		-----
2	Independent Directors - Fee for attending board / committee meetings - Commission - Others, please specify	-----	----- ----- -----
	<b>Total (2)</b>		-----
	<b>Total (B)=(1+2)</b>		-----
	<b>Total Managerial Remuneration (A+B)</b>		<b>71,35,664</b>
	<b>Overall Ceiling as per the Act</b>		<b>6,02,24,016</b>

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount in Rs.
		CEO	Company Secretary	CFO	
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	----- ----- -----	23,70,199 ----- -----	24,97,019 ----- -----	48,67,218 ----- -----
2	Stock Option	-----	-----	-----	-----
3	Sweat Equity	-----	-----	-----	-----
4	Commission - as % of profit - others, specify...	-----	-----	-----	-----
5	Others, please specify	-----	-----	-----	-----
	<b>Total</b>	-----	<b>23,70,199</b>	<b>24,97,019</b>	<b>48,67,218</b>

**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	-----	-----	-----	-----	-----

**Annexure VI****A. Conservation of Energy:**

- As a green energy initiative, Solar power plant of total 3.828 MWP Capacity is installed and commissioned at PMHBL Mangalore, Hassan, Devangunthi & SV/IP locations. At Mangalore solar power being used for self-consumption and additional power is exported to MRPL. At Hassan & Devangunthi solar power produced is exported to PMHBL Neriya location. Wheeling and Banking agreements were executed with DISCOMs and KPTCL and power being exported to Neriya from Hassan & Devangunthi.
- Optimum usage of combination of single and dual mainline pumps at Mangalore as per thruput requirement to minimize the power consumption.
- Replacement of Conventional lighting with more efficient LED lighting at PMHBL Stations is carried out.

**B. Technology Absorption:**

- Replacement of Complete SACDA system was carried out with backup server at Devangunthi and lease line connectivity between Mangalore & Bangalore
- Telecom System upgradation for PIDS and additional band width requirement for SCADA augmentation.
- PLC hardware upgradation alongwith SCADA replacement at all locations
- Mass flow meter installation and put to use for custody transfer from 12.09.2020 at PMHBL
- Heat & Flame detectors installed and commissioned in mainline pump house at PMHBL Mangalore and Neriya stations.
- Installation and commissioning of PIDS system for PMHBL pipeline.
- Procurement and installation of Numerical Differential Current Protection Relay for 1680 KW HT Motor to Neriya Station

**Import of technology –**

<b>Sl. No.</b>	<b>Technology imported</b>	<b>Year of import</b>
1	Pipeline Intrusion Detection System	2018-19 & 2019-20
2	Pressure Control valve actuator for PMHBL Neriya station	2019 -20

**C. Foreign Exchange earning & outgo:**

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

<b>Particulars</b>	<b>Amount (Rs. in lacs)</b>
Foreign exchange earning	Nil
Foreign exchange outgo	22.33

**For and on behalf of the Board of Directors**

**PLACE : NEW DELHI**

**DATE : 29.07.2020**

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

## INDEPENDENT AUDITOR'S REPORT

To the Members of M/s. Petronet MHB Limited

### Report on the Audit of the Standalone Financial Statements

#### Opinion

We have audited the accompanying standalone financial statements of **M/s. Petronet MHB Limited (“the Company”)** which comprise the balance sheet as at March 31, 2020, the statement of profit and loss, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act 2013 The Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, profit and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

### **Information Other than the standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's report including annexures but does not include the standalone financial statements and our auditor's report thereon. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of Management for the standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We also communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d. In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e. As per notification number G.S.R. 463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 164(2) of the Act regarding the disqualifications of Directors is not applicable to the Company, since it is a Government Company;
  - 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 B".
  - g. As per notification number G.S.R. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act regarding remuneration to director is not applicable to the Company, since it is a Government Company;
  - h. 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 standalone financial statements – Refer Note No.20 of the standalone financial statements
  - j. The Company did not have any long-term contracts including derivative contracts for which there are material foreseeable losses
  - k. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
3. As required by section 143 (5) of the Act, we give in “Annexure C”, a statement on the matters specified by the Comptroller and Auditor General of India for the company.

Place: Bangalore  
Date : 29-05-2020

For YCRJ & Associates  
Chartered Accountants  
Firm Regn No. 006927S

Poornima Y  
Partner  
M.No: 212804  
UDIN: 20212804AAAABB3981

**“Annexure A” to the Independent Auditors Report**

(referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirements' of our report of even date to the standalone financial statements of the company for the year ended 31st March, 2020)

As per the books and records produced before us and as per the information and explanations given to us and based on such audit checks that we considered necessary and appropriate, we confirm that:

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets
- (b) As per the information and explanation given us, all fixed assets have been physically verified by the management during the year which in our opinion, is reasonable having regard to size of the company and the nature of its assets. As explained to us no material discrepancies were noticed on such verification.
- (c) As per 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 lands 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.
- iii. As per the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 during the period under audit. Hence the provisions of clause (iii) of paragraph 3 of the Order are not applicable to the company
- iv. According to the information provided and explanation given to us, there are no loans, investments, guarantees, and security under section 185 and 186 of the Companies Act 2013. Hence the provisions of clause (iv) of paragraph 3 of the Order are not applicable to the company
- v. According to the information provided and explanation given to us, the company has not accepted any deposits from public during the year. Hence provisions of clause (v) of paragraph 3 of the Order are not applicable to the Company.

vi. We have broadly reviewed accounts and records maintained by the Company pursuant to rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, in respect of Company's products to which the said rules are made applicable and are of the opinion that, prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate

vii.

a. According to the information and explanations given to us, the company has generally been regular in depositing undisputed statutory dues including provident fund, Goods and service tax, duty of customs, income-tax, cess and other statutory dues to the appropriate authorities. As explained to us, the company did not have any dues on account of employee's state insurance and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding as on March 31, 2020 for a period of more than 6 months from the date they became payable

b. According to the information and explanations given to us, the following statutory dues have not been deposited on account of dispute:

Statute	Nature of the dues	Amount Rs. in lakhs	Forum where dispute is pending
Income tax Act, 1961	Income tax	30.40	Commissioner of Income Tax (Appeal)

viii. According to the information and explanations given to us, the company does not have any loans or borrowings from a financial institution, bank, Government or issued any debenture. Therefore, the provisions of clause (viii) of paragraph 3 of the Order are not applicable to the company.

ix. According to the information and explanations given to us, the company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans. Therefore, the provisions of clause (ix) of paragraph 3 of the Order are not applicable to the company.

x. According to the information and explanations given to us, based on our examination of the books and records of the company, no fraud by the company or any fraud on the company has been noticed or reported during the period under audit.

xi. As per notification no. G.S.R 463(E) dated June 5, 2015, the Government companies are exempted from the provisions of section 197 of the Act. Therefore, the provisions of clause (xi) of paragraph 3 of the Order are not applicable to the company

xii. The company is not a Nidhi Company. Therefore, the provisions of clause (xii) of paragraph 3 of the Order are not applicable to the company

- xiii. According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards
- xiv. According to the information and explanations given to us, during the year the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under Clause 3(xiv) of the Order is not applicable
- xv. According to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with him. Therefore, the provisions of clause (xv) of paragraph 3 of the Order are not applicable to the company
- xvi. According to the information and explanations given to us, the Company is not the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Therefore, the provisions of clause (xvi) of paragraph 3 of the Order are not applicable to the company.

Place: Bangalore  
Date : 29-05-2020

For YCRJ & Associates  
Chartered Accountants  
Firm Regn No. 006927S

Poornima Y  
Partner  
M.No: 212804  
UDIN: 20212804AAAABB3981

**“Annexure B” to the Independent Auditor's Report of even date on the standalone Financial Statements of M/s. Petronet MHB Limited**

(referred to in paragraph 2(f) under the heading 'Report on Other Legal & Regulatory Requirements' of our report of even date to the standalone financial statements of the company for the year ended 31st March, 2020)

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

1. We have audited the internal financial controls over financial reporting of M/s. Petronet MHB Limited (“the Company”) as of 31st March, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

2. 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 (“the Guidance Note”) issued by the Institute of Chartered Accountants of India. 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**

3. 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 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.

4. 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.
5. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
6. 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**

7. 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 standalone 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 standalone 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 standalone financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

8. 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**

9. In our opinion, the company has, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2020, 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 issued by the Institute of Chartered Accountants of India.

Place: Bangalore  
Date : 29-05-2020

For YCRJ & Associates  
Chartered Accountants  
Firm Regn No. 006927S

Poornima Y  
Partner  
M.No: 212804  
UDIN: 20212804AAAABB3981



**“Annexure – C” to the Independent Auditors Report**

(referred to in paragraph 3 under the heading 'Report on Other Legal & Regulatory Requirements' of our report of even date to the standalone financial statements of the company for the year ended 31st March, 2020)

**Direction:** I. Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, maybe stated

**Observation:** The Company uses an IT - ERP system viz. Microsoft Navision to process at the accounting transactions. No accounting transactions are processed outside the IT system, except payroll for which separate software is used. In respect of payroll processes the integrity of the account is ensured with adequate internal control

**Direction:** II. Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest made by a lender to the company due to the company's inability to repay the loan? If yes, the financial Impact may be stated

**Observation:** There are no restructuring of an existing loan or cases of waiver write off of debts Loans, interest, etc., made by lender to the company due to the company's ability to repay the loan

**Direction:** III. Whether funds received/receivable for specific schemes from central state agencies were properly accounted for utilized as per its term and conditions? List the cases of deviation.

**Observation:** No funds received/receivable for specific schemes from central state agencies were properly accounted for/ utilized as per its term and conditions

Place: Bangalore  
Date : 29-05-2020

For YCRJ & Associates  
Chartered Accountants  
Firm Regn No. 006927S

Poornima Y  
Partner  
M.No: 212804  
UDIN: 20212804AAAABB3981

**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  
2020**

The preparation of financial statements of Petronet MHB Limited for the year ended 31 March 2020 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 auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is 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 29<sup>th</sup> May, 2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Petronet MHB Limited for the year ended 31 March 2020 under section 143(6)(a) of the Act. 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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



(R.AMBALAVANAN)  
Director General of Commercial Audit &  
Ex-officio Member Audit Board, Chennai

Place : Chennai  
Date : 21.07.2020

**Petronet MHB Limited**  
**Balance Sheet as at March 31, 2020**

Rs. In lakhs

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, Plant and Equipment	2	13,277.55	11,584.34
(b) Right-of-use assets	2.1	1,130.59	-
(c) Capital work-in-progress	2.2	234.07	1,105.96
(d) Investment Property	3	7.57	7.69
(e) Other Intangible assets	4	759.15	760.93
(f) Financial Assets			
(i) Other financial assets	5	231.14	254.23
(g) Deferred tax assets (net)	6	-	-
(h) Other non-current assets	7	1,475.60	1,462.75
(i) Non Current Tax Assets(Net)	7.1	174.09	194.44
<b>Total Non - Current Assets</b>		<b>17,289.77</b>	<b>15,370.34</b>
<b>Current assets</b>			
(a) Inventories	8	230.84	251.54
(b) Financial Assets			
(i) Trade receivables	9	1,563.95	1,552.86
(ii) Cash and cash equivalents	10	70,241.83	63,401.30
(iii) Bank balances other than (ii) above	11	675.97	675.95
(iv) Other financial assets	5	2,493.71	2,150.71
(c) Other current assets	12	116.09	164.77
<b>Total Current Assets</b>		<b>75,322.39</b>	<b>68,197.13</b>
Assets classified as held for sale	13	406.25	418.84
<b>Total Assets</b>		<b>93,018.41</b>	<b>83,986.31</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	33,576.95	24,759.66
<b>Total equity</b>		<b>88,447.68</b>	<b>79,630.39</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial Liabilities			
(i) Trade payables	15		
Dues of Micro & Small Enterprises		-	-
Dues to Creditor other than Micro & Small Enterprises		-	-
(ii) Other financial liabilities	16	1,790.90	657.69
(b) Provisions	17	218.96	160.27
(c) Deferred tax liabilities (Net)	6	1,228.31	910.66
<b>Total Non - Current Liabilities</b>		<b>3,238.17</b>	<b>1,728.62</b>

Rs. In lakhs

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>Current liabilities</b>			
(a) Financial Liabilities			
(i) Trade payables	15		
Dues of Micro & Small Enterprises		16.08	495.12
Dues to Creditor other than Micro & Small Enterprises		156.29	141.93
(ii) Other financial liabilities	16	781.87	1,580.79
(b) Other current liabilities	18	301.04	308.65
(c) Provisions	17	77.28	100.81
<b>Total Current Liabilities</b>		<b>1,332.56</b>	<b>2,627.30</b>
<b>Total Equity and Liabilities</b>		<b>93,018.41</b>	<b>83,986.31</b>

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

As per our report of even date attached

**for YCRJ & Associates**  
**Chartered Accountants**  
Firm Registration Number: 006927S

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

**Sd/-**  
**Poornima Y**  
Partner  
Membership Number: 212804  
UDIN : 20212804AAAABB3981

**Sd/-**  
**C Ramakrishnan**  
Managing Director  
DIN: 08736843

**Sd/-**  
**Rakesh Kaul**  
Director  
DIN: 07975342

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

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

Place : Bangalore  
Date :29/05/2020

Place : Bangalore  
Date :29/05/2020

**Petronet MHB Limited**  
**Statement of Profit and Loss for the year ended March 31, 2020**

Rs. In lakhs

Particulars	Note No.	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from operations	19	11,058.93	15,843.96
Other Income	20	5,188.74	4,458.08
<b>Total Revenue</b>		<b>16,247.67</b>	<b>20,302.04</b>
<b>Expenses</b>			
Employee benefit expense	21	788.98	745.67
Finance costs	22	125.72	30.35
Depreciation and amortisation expense	2,3 &4	778.19	629.89
Other expenses	23	2,631.10	3,033.74
<b>Total Expenses</b>		<b>4,323.99</b>	<b>4,439.65</b>
<b>Profit/(loss) before tax</b>		<b>11,923.68</b>	<b>15,862.39</b>
<b>Tax Expense</b>			
Current tax	6	2,775.44	3,416.73
Deferred tax	6	320.99	1,268.24
<b>Total tax expense</b>		<b>3,096.44</b>	<b>4,684.97</b>
<b>Profit/(loss) for the period</b>		<b>8,827.24</b>	<b>11,177.42</b>
<b>Other comprehensive income</b>			
Items that will not be recycled to profit or loss		-	-
Remeasurements of the defined benefit liabilities / (asset)		(13.30)	(14.19)
Income tax relating to items that will not be reclassified to profit or loss		3.35	4.13
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>(9.95)</b>	<b>(10.06)</b>
<b>Total comprehensive income for the period</b>		<b>8,817.29</b>	<b>11,167.36</b>
<b>Earnings per equity share</b>			
Basic	26	1.61	2.04
Diluted	26	1.61	2.04

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

As per our report of even date attached

for YCRJ & Associates  
Chartered Accountants  
Firm Registration Number: 006927S

Sd/-  
**Poornima Y**  
Partner  
Membership Number: 212804  
UDIN : 20212804AAAABB3981

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

Sd/-  
**C Ramakrishnan**  
Managing Director  
DIN: 08736843  
Sd/-  
**Chandan Kumar Das**  
Chief Financial Officer

Sd/-  
**Rakesh Kaul**  
Director  
DIN: 07975342  
Sd/-  
**Sachin Jayaswal**  
Company Secretary

Place : Bangalore  
Date :29/05/2020

Place : Bangalore  
Date :29/05/2020

**Petronet MHB Limited**  
**Statement of Cash flows for the year ended March 31, 2020**

Rs. In lakhs

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
<b>A. Cash flow from operating activities:</b>		
Profit for the period before tax	11,923.68	15,862.39
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>		
Depreciation and amortization	778.19	629.89
Loss on disposal of fixed assets	49.77	6.32
Interest income on fixed deposits	(4,982.98)	(4,315.40)
Finance Charges on Lease	114.07	-
Other adjustments	(43.96)	(75.56)
<b>Changes in assets and liabilities</b>		
Trade receivables	(11.09)	(24.42)
Other financial assets	17.81	(45.54)
Inventories	20.70	(39.08)
Other assets	48.41	(62.83)
Trade payables	(464.68)	232.45
Other financial liabilities	(872.91)	1,151.39
Provisions and other liabilities	14.25	(939.45)
<b>Cash generated from operations</b>	<b>6,591.26</b>	<b>12,380.16</b>
Income taxes paid	(2,447.78)	(2,620.96)
<b>Net cash generated from operating activities</b>	<b>4,143.48</b>	<b>9,759.20</b>
<b>B. Cash flow from investing activities:</b>		
Acquisition of property, plant and equipment	(21.24)	(128.44)
Proceeds from sale of property, plant and equipment	0.44	16.59
Capital advances	(1,491.03)	(2,854.15)
Bank Deposits not considered as cash and cash equivalents		
Placed	-	-
Matured	(0.02)	13.05
Interest received on fixed deposits	4,394.79	3,360.54
<b>Net cash from investing activities</b>	<b>2,882.94</b>	<b>407.59</b>
<b>C. Cash flow from financing activities:</b>		
Payment of lease liabilities	(174.27)	-
Interest on Income tax	(11.61)	-
Payment of dividends	-	-
<b>Net cash used in financing activities</b>	<b>(185.88)</b>	<b>-</b>

Rs. In lakhs

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,840.54</b>	<b>10,166.79</b>
Cash and cash equivalents at the beginning of the period	63,401.30	53,234.51
<b>Cash and cash equivalents at the end of the period</b>	<b>70,241.84</b>	<b>63,401.30</b>

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

As per our report of even date attached

**for YCRJ & Associates**  
**Chartered Accountants**  
Firm Registration Number: 006927S

**Sd/-**  
**Poornima Y**  
Partner  
Membership Number: 212804  
UDIN : 20212804AAAABB3981

Place : Bangalore  
Date :29/05/2020

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

**Sd/-**  
**C Ramakrishnan**  
Managing Director  
DIN: 08736843

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

Place : Bangalore  
Date :29/05/2020

**Sd/-**  
**Rakesh Kaul**  
Director  
DIN: 07975342

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

**Petronet MHB Limited**  
**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, 2018</b>	<b>54,870.73</b>	-	<b>13,592.29</b>	-	-	-	-	<b>68,463.02</b>
<b>Changes in equity for the year ended March 31, 2019</b>								
Changes in equity share capital during the year								
Issue of share capital	-	-	-	-	-	-	-	-
Issue of Bonus shares	-	-	-	-	-	-	-	-
Any Other Change	-	-	-	-	-	-	-	-
Profit for the period	-	-	11,177.42	-	-	-	-	11,177.42
Actuarial gains/(loss) on account of re-measurement of defined benefit plans	-	-	(10.06)	-	-	-	-	(10.06)
Other comprehensive Income for the year	-	-	-	-	-	-	-	-
Interim Dividend [Dividend per Share Rs. Nil (Prev Year Rs. Nil)]	-	-	-	-	-	-	-	-
Tax on Dividends	-	-	-	-	-	-	-	-
<b>Balance as of March 31, 2019</b>	<b>54,870.73</b>	-	<b>24,759.66</b>	-	-	-	-	<b>79,630.39</b>



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		
<b>Balance as of April 1, 2019</b>	<b>54,870.73</b>	-	<b>24,759.66</b>	-	-	-	-	-	<b>79,630.39</b>
<b>Changes in equity for the year ended March 31, 2020</b>									
Changes in equity share capital during the year									
Issue of share capital	-	-	-	-	-	-	-	-	-
Issue of Bonus shares	-	-	-	-	-	-	-	-	-
Any Other Change	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	8,827.24	-	-	-	-	-	8,827.24
Actuarial gains/(loss) on account of re-measurement of defined benefit plans	-	-	(9.95)	-	-	-	-	-	(9.95)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-	-	-	-
Tax on Dividends	-	-	-	-	-	-	-	-	-
<b>Balance as of March 31, 2020</b>	<b>54,870.73</b>	-	<b>33,576.95</b>	-	-	-	-	-	<b>88,447.68</b>

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

As per our report of even date attached

**for YCRJ & Associates**  
**Chartered Accountants**  
 Firm Registration Number: 006927S

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

**Sd/-**  
**Poornima Y**  
 Partner  
 Membership Number: 212804  
 UDIN : 20212804AAAAABB3981

**Sd/-**  
**C Ramakrishnan**  
 Managing Director  
 DIN: 08736843

**Sd/-**  
**Rakesh Kaul**  
 Director  
 DIN: 07975342

Place : Bangalore  
 Date : 29/05/2020

**Sd/-**  
**Chandan Kumar Das**  
 Chief Financial Officer  
 Place : Bangalore  
 Date : 29/05/2020

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

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

## **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 # Corporate Miller 2nd Floor Block B, 332/1, Thimmaih Road, Vasanth Nagar, Bangalore Karnataka- 560 052.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **1.1. Statement of Compliance**

The financial statements have been prepared in accordance with Indian Accounting Standards (IndASs) 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.

The Corporation's Presentation currency and Functional currency is Indian Rupees (Rs). All figures appearing in the Financial Statements are rounded to the nearest lakhs ( ` Lakhs), except where otherwise indicated

### **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.

Revisions to accounting estimates are recognised prospectively in the Financial Statements in the period in which the estimates are revised and in any future periods affected.

#### **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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****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 upon transfer of Control of Promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****1.6.1. Income from Services**

Transportation income is recognised as upon transfer of service to the customer i.e. on delivery of petroleum products to oil marketing companies. Revenue is recognised by allocating the transaction price as per agreed tariff rate to the distinct service .

**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. The liquidated damage recovered from contracts (both revenue and capital contracts ) is recognised as income as and when recovered.

**1.7. Leases**

The Company's Lease asset classes primarily consist of leases for Land and Building. The Company assesses whether a Contract contains a lease, at inception of a Contract. A contract is or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether : (i) the contract involves the use of an identified asset, (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right -of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates of these leases.

**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 borrowing 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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****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 returns 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 upto the reporting date. Re-measurements 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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****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 capitalized 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

Server : 6 years

Plant and Equipment\* : 10 to 15 years

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020**

- Solar Power Plant : 25 years
- Roads : 5 years
- Pipeline : 30 years
- Office equipment : 5 years
- Furniture and fixtures\* : 3 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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020**

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 recognised 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.



**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****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 debit 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 debit 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 life time 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 life time cash short falls 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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020**

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 115, the company always measures the loss allowance at an amount equal to life time expected credit losses.

Further, for the purpose of measuring life time 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.

**Petronet MHB Limited****Notes to the financial statements for the year ended March 31, 2020****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 value.

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 share holders 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.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**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	Total
<b>I. Gross Block</b>									
Balance as at 1 April, 2019	30.47	1,970.42	27.21	6,058.46	138.44	6,030.43	68.97	126.28	14,450.69
Additions	-	48.88	15.60	2,126.78	78.77	101.64	7.37	5.13	2,384.17
Disposals	-	-	2.02	54.69	-	-	4.73	-	61.44
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Balance as at 31 March, 2020	30.47	2,019.30	40.79	8,130.55	217.21	6,132.07	71.61	131.41	16,773.42
<b>II. Accumulated depreciation and impairment for the year 2019-20</b>									
Balance as at 1 April, 2019	-	306.38	18.02	1,713.48	2.71	784.08	17.91	23.77	2,866.35
Depreciation / amortisation expense for the year	-	86.08	6.29	270.43	18.64	230.51	13.29	14.22	639.46
Eliminated on disposal of assets	-	-	1.73	4.77	-	-	3.44	-	9.94
Eliminated on reclassification as held for sale	-	-	-	-	-	-	-	-	-
Balance as at 31 March, 2020	-	392.46	22.58	1,979.14	21.35	1,014.59	27.76	37.99	3,495.87
<b>Net block (I-II)</b>									
Balance as on 31st March 2020	30.47	1,626.84	18.21	6,151.41	195.86	5,117.48	43.85	93.42	13,277.55
Balance as on 31st March 2019	30.47	1,664.04	9.19	4,344.98	135.73	5,246.35	51.06	102.51	11,584.34

Description of Assets	Rs. In lakhs									
	Land - Freehold	Buildings - Freehold	Computers and Data Processing Equipments	Plant and Equipment - Freehold	Roads	Pipeline	Office Equipment	Furniture and Fixtures	Total	
<b>I. Gross Block</b>										
Balance as at 1 April, 2018	30.47	1,827.89	24.03	4,103.41	10.43	6,028.23	50.02	92.58	12,167.07	
Additions	-	142.53	4.12	1,974.70	128.01	2.20	19.56	41.90	2,313.02	
Disposals	-	-	0.94	19.65	-	-	0.61	8.20	29.40	
Reclassified as held for sale	-	-	-	-	-	-	-	-	-	
Balance as at 31 March, 2019	30.47	1,970.42	27.21	6,058.46	138.44	6,030.43	68.97	126.28	14,450.69	
<b>II. Accumulated depreciation and impairment for the year 2018-2019</b>										
Balance as at 1 April, 2018	-	225.78	13.18	1,426.30	-	557.53	6.24	15.92	2,244.95	
Depreciation / amortisation expense for the year	-	80.60	4.84	290.61	2.71	226.55	11.92	10.65	627.88	
Eliminated on disposal of assets	-	-	-	3.43	-	-	0.25	2.80	6.48	
Eliminated on reclassification as held for sale	-	-	-	-	-	-	-	-	-	
Balance as at 31 March, 2019	-	306.38	18.02	1,713.48	2.71	784.08	17.91	23.77	2,866.35	
<b>Net block (I-II)</b>										
Balance as on 31st March 2019	30.47	1,664.04	9.19	4,344.98	135.73	5,246.35	51.06	102.51	11,584.34	
Balance as on 31st March 2018	30.47	1,602.11	10.85	2,677.11	10.43	5,470.70	43.78	76.66	9,922.12	

## Notes:

- 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.
- Plant & Machinery includes Rs 667.08 Lakhs (P.Y.-Nil) in respect of pipeline intrusion detection system which is joint controlled assets with HPCL.
- In respect of land allotted by KIADB amounting to Rs 29.59 lakhs, lease cum sale agreement entered into and the absolute sale deed has not been executed as yet though the lease term has expired.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note No. 2.1 -Right of use Assets**

Rs. In lakhs

Description of Assets	Land	Building	Total
<b>I. Gross Block</b>			
<b>Balance as at 1 April, 2019</b>	-	-	-
Additions on account of adoption of Ind AS 116	998.65	268.77	1,267.42
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31st March , 2020</b>	<b>998.65</b>	<b>268.77</b>	<b>1,267.42</b>
<b>II. Accumulated depreciation and impairment for the year 2019-20</b>			
<b>Balance as at 1 April, 2019</b>	-	-	-
Depreciation expense for the period	83.68	53.15	136.83
Eliminated on disposal of assets	-	-	-
<b>Balance as at 31st March ,2020</b>	<b>83.68</b>	<b>53.15</b>	<b>136.83</b>
<b>Net block (I-II)</b>			
<b>Balance as at March 31, 2020</b>	<b>914.97</b>	<b>215.62</b>	<b>1,130.59</b>
Balance as on 31st March 2019	-	-	-

**Note No. 2.2 - Capital Work In Progress**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Unallocated Capital Expenditure	234.07	1105.96
Construction Period Expenses	-	-
<b>Total</b>	<b>234.07</b>	<b>1,105.96</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, 2019</b>	5.17	3.00	8.17
Additions relating to acquisitions	-	-	-
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2020</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
<b>II. Accumulated depreciation and impairment for the year 2019-20</b>			
<b>Balance as at 1 April, 2019</b>	-	0.48	0.48
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 , 2020</b>	<b>-</b>	<b>0.60</b>	<b>0.60</b>
<b>Net block (I-II)</b>			
<b>Balance as at 31 March , 2020</b>	<b>5.17</b>	<b>2.40</b>	<b>7.57</b>
Balance as on 31st March 2019	5.17	2.52	7.69

Rs. In lakhs

Description of Assets	Land	Building	Total
<b>I. Gross Block</b>			
<b>Balance as at 1 April, 2018</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, 2019</b>	<b>5.17</b>	<b>3.00</b>	<b>8.17</b>
<b>II. Accumulated depreciation and impairment for the year 2018-2019</b>			
<b>Balance as at 1 April, 2018</b>	-	<b>0.36</b>	<b>0.36</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, 2019</b>	-	<b>0.48</b>	<b>0.48</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31st March 2019</b>	<b>5.17</b>	<b>2.52</b>	<b>7.69</b>
Balance as on 31st March 2018	5.17	2.64	7.81

**Notes:**

- Assets pledged as security:- Nil ( Previous year -Nil).
- There were no Income earned or expenditure incurred on the above Investment Property other than land revenue tax of Rs. 0.09 lakhs during the current year (Previous year Rs. 0.00 lakhs) and depreciation mentioned above. The fair value of the Property as per Valuation report dated 04-04-2019 issued by Mr. Feroz N Raaj, Government Approved Valuer is Rs. 22.11 lakhs.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note No. 4 - Other Intangible Assets**

Rs. In lakhs

Description of Assets	Right of Way	Software	Total
<b>Intangible Assets</b>			
<b>I. Cost or deemed cost</b>			
Balance as at 1 April, 2019	755.51	11.94	767.46
Additions	-	-	-
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2020</b>	<b>755.51</b>	<b>11.94</b>	<b>767.46</b>
<b>II. Accumulated depreciation and impairment for the year 2019-20</b>			
Balance as at 1 April, 2019	-	6.53	6.53
Amortisation expense for the year	-	1.78	1.78
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2020</b>	<b>-</b>	<b>8.31</b>	<b>8.31</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31 March, 2020</b>	<b>755.51</b>	<b>3.64</b>	<b>759.15</b>
Balance as on 31st March 2019	755.51	5.42	760.93

Rs. In lakhs

Description of Assets	Right of Way	Software	Total
<b>Intangible Assets</b>			
<b>I. Cost or deemed cost</b>			
Balance as at 1 April, 2018	755.51	11.94	767.46
Additions	-	-	-
Disposals or classified as held for sale	-	-	-
<b>Balance as at 31 March, 2019</b>	<b>755.51</b>	<b>11.94</b>	<b>767.46</b>
<b>II. Accumulated depreciation and impairment for the year 2018-2019</b>			
Balance as at 1 April, 2018	-	4.64	4.64
Amortisation expense for the year	-	1.89	1.89
Eliminated on disposal of assets	-	-	-
Eliminated on reclassification as held for sale	-	-	-
<b>Balance as at 31 March, 2019</b>	<b>-</b>	<b>6.53</b>	<b>6.53</b>
<b>Net block (I-II)</b>			
<b>Balance as on 31st March 2019</b>	<b>755.51</b>	<b>5.42</b>	<b>760.93</b>
Balance as on 31st March 2018	755.51	7.31	762.82

## 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.



**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 5 - Other Financial Assets**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Non-Current</b>		
Unsecured, considered good		
Security Deposits	231.14	254.23
Loans having significant increase in credit risk/ credit impaired	-	-
<b>Total</b>	<b>231.14</b>	<b>254.23</b>
<b>Current</b>		
Unsecured, considered good		
Security Deposits	5.28	-
Interest accrued On Deposits	2,488.43	2,150.71
Loans having significant increase in credit risk/ credit impaired	-	-
<b>Total</b>	<b>2,493.71</b>	<b>2,150.71</b>

Security Deposits of amounting to Rs 53.04 lakhs given towards rental of Head office & Guest house premises are regrouped for previous year from current to Non Current other financial assets as amount is expected to be recovered more than 12 month from balance sheet date .

**Note 6 - Income Taxes**

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

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Current tax for the year	2,781.95	3,418.16
Current tax for Prior years	(6.51)	(1.43)
Deferred taxes/ Liability	320.99	1,268.24
<b>Income tax expense</b>	<b>3,096.44</b>	<b>4,684.97</b>

Out of the deferred tax for the period ending 31st March, 2020, Rs. nil (P.Y. - Rs.177.97 lakhs) 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, 2020	March 31, 2019
Profit before income taxes	11,923.68	15,862.39
Enacted tax rates in India	25.17%	29.12%
Computed expected tax expense	3,000.95	4,619.13
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	326.11	266.22
Effect of timing differences	(545.11)	(415.60)
MAT Credit Utilised	-	(1,051.59)
Reclassification of revenue as capital expenditure & inventory value change	-	-
<b>Income tax expense</b>	<b>2,781.95</b>	<b>3,418.16</b>

The applicable Income tax rate for financial year 2019-20 is 25.168% as available U/s 115BAA - Tax on income of Certain Domestic companies as notified as per taxation Laws (Amendment) Act 2019. and financial year 2018-19 is 29.12%,

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

The following table provides the details of income tax assets and income tax liabilities as of March 31, 2020, and March 31, 2019

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Income tax assets	174.09	194.44
Current income tax liabilities	-	-
<b>Net current income tax assets/ (liability) at the end</b>	<b>174.09</b>	<b>194.44</b>

The gross movement in the current income tax asset/ (liability) for the year ended March 31, 2020 and March 31, 2019 is as follows :

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Net current income tax asset/ (liability) at the beginning	194.44	481.93
Income tax paid	2,864.91	3,369.10
Income tax refund received	(109.82)	(239.86)
MAT Adjustments	-	1,051.59
Current income tax expense	(2,781.95)	(4,469.75)
Current income tax for Prior years	6.51	1.43
Income tax on other comprehensive income	-	-
<b>Net current income tax asset/ (liability) at the end</b>	<b>174.09</b>	<b>194.44</b>

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

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Deferred income tax assets</b>		
Gratuity payable to employees	15.86	15.26
Compensated absences	36.39	28.77
Trade receivables	-	83.02
Lease Rent	19.28	-
MAT Credit Entitlement	-	177.97
Tax losses carried forward	-	-
Others	-	-
<b>Total deferred income tax assets</b>	<b>71.53</b>	<b>305.02</b>
<b>Deferred income tax liabilities</b>		
Depreciation impact on PPE, Inv. Property and intangible assets	(1,308.00)	(1,220.50)
Others	-	-
<b>Total deferred income tax liabilities</b>	<b>(1,308.00)</b>	<b>(1,220.50)</b>
Deferred income tax assets after set off	(1,236.47)	(915.48)

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.

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

The gross movement in the deferred income tax account for the year ended March 31, 2020 and March 31, 2019, are as follows:

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Net deferred income tax asset at the beginning	(910.66)	353.44
Credits / (charge) relating to temporary differences	(320.99)	(1,268.24)
Temporary differences on other comprehensive income	3.35	4.13
<b>Net deferred income tax asset ( liability ) at the end</b>	<b>(1,228.31)</b>	<b>(910.66)</b>

#### Note 7 - Other Non Current Assets

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Unsecured, considered good Capital advances Against Land	9.71	9.71
Advances other than Capital advances Prepaid Expenses	18.86	6.01
Others Court Deposit	1,447.03	1,447.03
Loans Receivables which have significant increase in credit risk /Credit impaired	-	-
<b>Total</b>	<b>1,475.60</b>	<b>1,462.75</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 7.1 - Non Current Tax Assets

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Non Current Tax Assets (Net)	174.09	194.44
<b>Total</b>	<b>174.09</b>	<b>194.44</b>

#### Note 8 - Inventories

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
(At lower of cost and net realisable value)		
Stores and spares at site	230.84	251.54
<b>Total</b>	<b>230.84</b>	<b>251.54</b>

#### Note 9 - Trade Receivables

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Trade receivables, unsecured, considered good	1,563.95	1,552.86
Trade receivables, Which have significant increase in credit Risk	-	-
Trade receivables, -Credit Impaired	-	285.10
<b>(A)</b>	<b>1,563.95</b>	<b>1,837.96</b>
Less: Allowances for credit losses	-	285.10
<b>(B)</b>	<b>-</b>	<b>285.10</b>
<b>Total (A-B)</b>	<b>1,563.95</b>	<b>1,552.86</b>



**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 14 - Equity Share capital**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<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

**Equity shares with voting rights**

	Opening Balance	Fresh Issue	Other Changes	Closing Balance
Year Ended March 31, 2020				
No. of Shares	548,707,264	-	-	548,707,264
Amount ( Rs. In lakhs)	54,870.73	-	-	54,870.73
Year Ended March 31, 2019				
No. of Shares	548,707,264	-	-	548,707,264
Amount ( Rs. In lakhs)	54,870.73	-	-	54,870.73

(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 March 31, 2020	As at March 31, 2019
<b>Equity shares with voting rights:</b>		
Hindustan Petroleum Corporation Ltd	274,333,652	179,511,020
% of holding	49.996%	32.72%
Oil & Natural Gas Corporation Ltd	274,333,652	179,511,020
% of holding	49.996%	32.72%
State Bank of India	-	50,062,640
% of holding	-	9.12%

**Note:-** The entire equity shares of 18,96,45,264 shares held by nationalised banks acquired by Hindustan Petroleum Corporation Ltd & Oil & Natural Gas Corporation Ltd equally on 28 Feb 2020.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

(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 March 31, 2020	As at March 31, 2019
<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, 2020	March 31, 2019
Retained earnings	33,576.95	24,759.66
<b>Total</b>	<b>33,576.95</b>	<b>24,759.66</b>

**14.1.1 - Retained earnings**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Balance at beginning of the year	24,759.66	13,592.29
Profit for the year	8,827.24	11,177.42
Other comprehensive income arising from re measurement of defined benefit obligation net of income tax	(9.95)	(10.06)
Payments of dividends	-	-
Tax on Dividends	-	-
<b>Balance at the end of the year</b>	<b>33,576.95</b>	<b>24,759.66</b>

**Note 15 - Trade payables**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Non-Current</b>		
Trade payable for goods & services		
(a) Dues of micro enterprises and small enterprises	-	-
(b) Dues of creditors other than micro and small enterprises	-	-
<b>Total</b>	-	-
<b>Current</b>		
Trade payable for goods & services		
(a) Dues of micro enterprises and small enterprises	16.08	495.12
(b) Dues of creditors other than micro and small enterprises	156.29	141.93
<b>Total</b>	<b>172.37</b>	<b>637.05</b>

**Note 16 - Other Financial Liabilities**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Non-Current</b>		
Deposits received from Dealers	0.66	0.66
Retention Money for capital supplies / services	16.75	16.75
Lease liability	1,133.21	-
Payables for capital supplies/services	640.28	640.28
<b>Total</b>	<b>1,790.90</b>	<b>657.69</b>

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Current</b>		
Deposits received from Dealers	18.65	15.30
Retention Money for capital supplies / services	184.12	276.75
Earnest Money Deposit	38.28	41.74
Dues to Employees & Others	0.36	2.70
Lease liability	74.00	-
Payables for capital supplies/services	466.47	1,244.30
<b>Total</b>	<b>781.87</b>	<b>1,580.79</b>

**Note 17 - Provisions**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Non-Current</b>		
Provision for employee benefits		
Provision for compensated absences	126.60	93.97
Provision for gratuity	92.36	66.30
<b>Total</b>	<b>218.96</b>	<b>160.27</b>
<b>Current</b>		
Provision for employee benefits		
Provision for compensated absences	18.00	4.84
Provision for gratuity	3.06	2.64
Provision for Performance Incentives	56.22	49.97
Provision for Salary	-	43.36
<b>Total</b>	<b>77.28</b>	<b>100.81</b>

**Details of movement in provisions:**

Rs. In lakhs

Particulars	Gratuity Provision	Compensated absences	Performance Incentives
<b>Balance at April 1, 2018</b>	<b>43.76</b>	<b>71.71</b>	<b>36.96</b>
Additional provisions recognised			
Amounts used (ie incurred and charged against the provision) during the period	25.18	34.66	49.97
Unused amounts reversed during the period	-	(7.57)	(36.96)
<b>Balance at March 31, 2019</b>	<b>68.94</b>	<b>98.81</b>	<b>49.97</b>
<b>Balance at April 1, 2019</b>	<b>68.94</b>	<b>98.81</b>	<b>49.97</b>
Additional provisions recognised			
Amounts used (ie incurred and charged against the provision) during the period	26.47	54.10	56.22
Unused amounts reversed during the period	-	(8.30)	(49.97)
<b>Balance at March 31, 2020</b>	<b>95.41</b>	<b>144.61</b>	<b>56.22</b>

**Note 18 - Other current liability**

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Statutory dues		
Taxes payable (other than income taxes)	301.04	308.65
<b>Total</b>	<b>301.04</b>	<b>308.65</b>

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 19 - Revenue from operations**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Sale of Services		
Freight Charges for Transportation of Petroleum Products	10,878.90	12,873.84
Dispatch charges	157.22	2,956.19
Other Operating Income	22.81	13.93
<b>Total</b>	<b>11,058.93</b>	<b>15,843.96</b>

**Notes:**

i) The Freight Income is recognised based on the pipeline transportation tariff fixed by Petroleum & Natural Gas Regulatory Board (PNGRB).

PNGRB vide Order No.TO/2019-20/03 dated 04.06.2019 fixed the pipeline tariff for the period from 20.12.2018 to 31.12.2019 by benchmarking against alternate mode of transport i.e. rail at a level of 75% railway tariff on a train load basis for equivalent rail distance along the pipeline route. Freight income for the period 01.01.2020 to 31.03.2020 is recognised based on Order No. TO/2019-20/03 dated 04.06.2019.

ii) Earning in Foreign Currency Rs Nil ( Previous Year Rs Nil)

**Note 20 - Other income**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Interest Income		
On Financial Assets at Amortised Cost	4,982.98	4,315.40
On Income Tax Refund	56.85	75.56
Insurance Claim	-	1.09
Other Miscellaneous Incomes	148.91	66.03
<b>Total</b>	<b>5,188.74</b>	<b>4,458.08</b>
Interest income comprises of:		
Interest on Term Deposit	4,956.57	4,304.28
Interest on Security Deposit	26.41	11.12
<b>Total - Interest income</b>	<b>4,982.98</b>	<b>4,315.40</b>

**Note 21 - Employee benefit expense**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Salaries and wages including incentives	579.69	519.32
Salaries and wages for HPCL Staff on Deputation	164.76	191.20
Contributions to provident fund	28.20	20.76
Gratuity	13.17	10.99
Staff welfare expense	3.16	3.40
<b>Total</b>	<b>788.98</b>	<b>745.67</b>



**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 22 - Finance costs**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Interest on Income Tax	11.61	-
Finance Charges on Lease	114.07	-
Interest on GST	0.04	-
Interest on Service Tax	-	30.35
<b>Total</b>	<b>125.72</b>	<b>30.35</b>

**Note 23 - Other expenses**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Power & Fuel	1,303.00	1,592.96
Repair & Maintenance on Plant and Machinery	75.58	94.50
Repair & Maintenance on Buildings	5.33	0.50
Repair & Maintenance - Electricals, ROW & Others	68.11	77.85
Operations and maintenance - Contract Manpower	121.03	103.96
Stores & Spares Consumed	51.69	66.27
Insurance Premium	72.60	61.67
Painting of Station Pipings And equipments	5.64	12.11
Watch and Wards	307.00	290.90
Lease Rent	10.09	171.51
Compensation to CA(LAO) Staff	14.39	18.92
Communication Expense	13.42	12.81
Net loss on foreign currency transactions	-	4.41
Net Loss on sale of Fixed Assets	49.77	6.32
Product Downgrade Charges	5.55	-
Printing & Stationery	5.71	7.28
Professional and Consultancy Charges (Refer Note 23A below)	33.11	45.39
Rates and Taxes	15.37	14.45
Training, Recruitment, Seminar and Mock Drill Expenses	11.01	21.13
Travelling and Conveyance	33.35	45.61
Vehicle Hire Charges	77.60	76.64
Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013.	274.82	230.98
Advertisement for Public Tender	9.57	19.33
Other Expenses	67.36	58.14
Director's Sitting Fees	-	0.10
<b>Total</b>	<b>2,631.10</b>	<b>3,033.74</b>

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

(excluding GST)

Rs. In lakhs

As auditors		
Statutory audit	1.80	1.80
For Taxation matters	0.80	0.70
For Company Law matters	-	-
For other services	1.25	1.50
<b>Total</b>	<b>3.85</b>	<b>4.00</b>

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

Rs. In lakhs

Spare Parts	-	-
Capital Goods	22.33	-
<b>Total</b>	<b>22.33</b>	<b>-</b>

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

#### Note 24 - Employee Benefits

##### a. Defined Benefit Plan - Gratuity

The following tables set out the gratuity plans (unfunded) and the amounts recognised in the Company's financial statements as at March 31, 2020 and March 31, 2019:

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Change in benefit obligations</b>		
Benefit obligations at the beginning	68.94	43.76
Service cost	7.16	6.14
Interest expense	6.02	4.85
Curtailment gain	-	-
Transfer of obligation	-	-
Remeasurements - Actuarial (gains)/ losses	13.30	14.19
Benefits paid	-	-
<b>Benefit obligations at the end</b>	<b>95.42</b>	<b>68.94</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, 2020 and March 31, 2019 recognised in the Statement of Profit and Loss under employee benefit expenses.

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Service cost	7.16	6.14
Net interest on the defined benefit obligation	6.02	4.85
<b>Net gratuity cost</b>	<b>13.18</b>	<b>10.99</b>

Amount for the year ended March 31, 2020 and March 31, 2019 recognised in statement of other comprehensive income:

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
<b>Remeasurements of the net defined benefit liability/ (asset)</b>		
Actuarial (gains) / losses		
(Gain)/loss due to change in demographic assumptions	(0.08)	-
(Gain)/loss due to change in financial assumptions	10.01	1.28
(Gain)/loss due to experience adjustments	3.37	12.91
(Return) / loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	-	-
	<b>13.30</b>	<b>14.19</b>

The weighted-average assumptions used to determine benefit obligations as at March 31, 2020 and March 31, 2019 are set out below:

Particulars	As at	
	March 31, 2020	March 31, 2019
Discount rate	6.70%	7.60%
Salary escalation rate	5.00%	5.00%

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

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 recognised in the Company's financial statements as at March 31, 2020 and March 31, 2019:

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Change in benefit obligations</b>		
Benefit obligations at the beginning	98.81	71.71
Service cost	21.15	13.45
Interest expense	9.15	7.4
Curtailment gain	-	-
Transfer of obligation	-	-
Remeasurements - Actuarial (gains)/ losses	28.78	15.20
Benefits paid	(13.29)	(8.95)
<b>Benefit obligations at the end</b>	<b>144.60</b>	<b>98.81</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, 2020 and March 31, 2019 recognised in the Statement of Profit and Loss under employee benefit expenses.

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Service cost	21.15	13.45
Net interest on the defined benefit obligation	9.15	7.4
Actuarial (gains) / losses		
(Gain)/loss due to changes in demographic assumptions	8.09	-
(Gain)/loss due to changes in financial assumptions	15.55	0.36
(Gain)/loss from Plan experience	5.15	14.84
Curtailment gain	-	-
<b>Net leave encashment cost</b>	<b>59.09</b>	<b>36.05</b>

The weighted-average assumptions used to determine benefit obligations as at March 31, 2020 and March 31, 2019 are set out below:

Particulars	As at	
	March 31, 2020	March 31, 2019
Discount rate	6.70%	7.70%
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. 28.20 lakhs (Year ended 31 March, 2019 Rs. 20.76 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.

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

#### Note 25 - Financials Instruments

##### Financial instruments by category

The carrying value and fair value of financial instruments by categories as of March 31, 2020 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)	70,241.83	-	-	-	-	70,241.83	70,241.83
Bank Balances other than Cash and cash equivalents (Refer Note 11)	675.97	-	-	-	-	675.97	675.97
Trade receivables (Refer Note 9)	1,563.95	-	-	-	-	1,563.95	1,563.95
Other financial assets (Refer Note 5)	2,724.85	-	-	-	-	2,724.85	2,724.85
<b>Total</b>	<b>75,206.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,206.60</b>	<b>75,206.60</b>
<b>Liabilities:</b>							
Trade payables (Refer Note 15)	172.37	-	-	-	-	172.37	172.37
Other financial liabilities (Refer Note 16)	2,572.78	-	-	-	-	2,572.78	2,572.78
<b>Total</b>	<b>2,745.15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,745.15</b>	<b>2,745.15</b>

The carrying value and fair value of financial instruments by categories as of March 31, 2019 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)	63,401.30	-	-	-	-	63,401.30	63,401.30
Bank Balances other than Cash and cash equivalents (Refer Note 11)	675.95	-	-	-	-	675.95	675.95
Trade receivables (Refer Note 9)	1,552.86	-	-	-	-	1,552.86	1,552.86
Other financial assets (Refer Note 5)	2,404.94	-	-	-	-	2,404.94	2,404.94
<b>Total</b>	<b>68,035.05</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,035.05</b>	<b>68,035.05</b>
<b>Liabilities:</b>							
Trade payables (Refer Note 15)	637.05	-	-	-	-	637.05	637.05
Other financial liabilities (Refer Note 16)	2,238.48	-	-	-	-	2,238.48	2,238.48
<b>Total</b>	<b>2,875.53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,875.53</b>	<b>2,875.53</b>

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

#### 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 analyses foreign currency risk from financial instruments as on March 31, 2020 and March 31, 2019

Rs. In lakhs

Particulars	AS at March 31, 2020			AS at March 31, 2019		
	U.S. dollars	Euro	Total	U.S. dollars	Euro	Total
Cash and cash equivalents	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-
<b>Net assets / (liabilities)</b>	-	-	-	-	-	-

##### 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. nil and Rs. 285.10 lakhs as of March 31, 2020 and March 31, 2019, 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 4 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.

## Petronet MHB Limited

### Notes to the financial statements for the year ended March 31, 2020

#### Note 26 - Earning Per Share

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
	Rs. Per Share	Rs. Per Share
<b>Basic Earnings per share</b>		
From continuing operations	1.61	2.04
From discontinuing operations	-	-
<b>Total basic earnings per share</b>	<b>1.61</b>	<b>2.04</b>
<b>Diluted Earnings per share</b>		
From continuing operations	1.61	2.04
From discontinuing operations	-	-
<b>Diluted earnings per share</b>	<b>1.61</b>	<b>2.04</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, 2020	Year ended March 31, 2019
Profit / (loss) for the year attributable to owners of the Company	8,817.29	11,167.36
Less: Preference dividend and tax thereon	-	-
Profit / (loss) for the year used in the calculation of basic earnings per share	8,817.29	11,167.36
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>8,817.29</b>	<b>11,167.36</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>1.61</b>	<b>2.04</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 March 31, 2020	Year ended March 31, 2019
Profit / (loss) for the year used in the calculation of basic earnings per share	8,817.29	11,167.36
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	8,817.29	11,167.36
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>8,817.29</b>	<b>11,167.36</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>1.61</b>	<b>2.04</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

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 27 - Related party disclosures**

Nature of relationship	Names of the related parties
Key management personnel (KMP)	Shri. Subhash Kumar - Chairman Shri.M Selvakumar - Managing Director (resigned effective 30 April,2020) Shri. R. Sridhar - Director Shri. Rakesh Kaul - Director Shri. Venkatesh Madhava Rao - Director Shri. J S Prasad - Director Shri. C. Sridhar Goud - Director (Appointment effective 06 June 2019) Smt.K G Vijaylakshmi -Director (Appointment effective 02 May 2019 & resigned on 04 Feb 2020) Smt. Pomila Jaspal-Director (Appointment effective 06 March 2020) Shri. C Ramakrishnan -Managing Director (Appointment effective 01 May 2020 )  Shri. Chandan Kumar Das - CFO(KMP) Shri.Sachin Jayaswal - Company Secretary(KMP)
Ultimate Holding Company	Oil and Natural Gas Corporation Limited
Fellow Subsidiary	Mangalore Refinery & Petrochemicals Ltd
Investing Party	Hindustan Petroleum Corporation Limited

Rs. In lakhs

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
<b>Income</b>		
<b>Hindustan Petroleum Corporation Limited</b>		
Freight Charges	5,454.44	5,931.22
Sale of Project Surplus Pipes/ Empty Barrels	14.43	-
TAS Integration Exp Received -	-	4.99
Sale of old DG Set	-	4.14
<b>Mangalore Refinery &amp; Petrochemicals Ltd</b>		
Freight Charges Received	161.13	353.00
Dispatch Charges Received	176.09	3,065.86
Rent for Mass Flow Meter Received	3.68	-
Rent for Lease of Pipeline Received	1.30	-
Interest Received Security Deposits	16.22	-
Power Charges-Received	19.12	-
<b>Expense</b>		
<b>Hindustan Petroleum Corporation Limited</b>		
Land Lease Rent - Paid	132.29	126.35
Deputation Salary & Allowances- Paid	194.42	218.17
Purchase of Lube oil	22.83	31.15
Product Downgrade Charges -Paid	6.55	-
Sharing of Cost of PIDS	-	787.15

## Petronet MHB Limited

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
<b>Mangalore Refinery &amp; Petrochemicals Ltd</b> Power Charges Paid	306.27	391.71
<b>**Remuneration paid to KMP (On Deputation)</b> M selvakumar	71.36	80.15
<b>Remuneration paid to KMP (others)</b> Chandan Kumar Das	24.97	19.10
Sachin Jayaswal	23.70	19.34
Director Sitting Fee	-	0.10

\* All the above supply & services are including 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, 2020	March 31, 2019
<b>Trade Receivable</b> Hindustan Petroleum Corporation Limited (Allowances for credit losses Rs. nil (Prev year Rs. 263.15 lakhs))	423.11	601.50
Mangalore Refinery & Petrochemicals Ltd (Allowances for credit losses Rs. nil (Prev year Rs. 21.95 lakhs))	315.49	895.24
<b>Trade Payables</b> Hindustan Petroleum Corporation Limited	408.15	855.93
Mangalore Refinery & Petrochemicals Ltd	22.27	391.51
<b>Other Financial Assets (Security Deposits)</b> Mangalore Refinery & Petrochemicals Ltd	-	23.38
Hindustan Petroleum Corporation Limited	1.57	-



**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

**Note 28 - Leases**

The Company's Lease asset classes primarily consist of leases for Land and Building . The Company assesses whether a Contract contains a lease, at inception of a Contract. A contract is or contains , a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration .To assess whether a contract conveys the right to control the use of an identified asset , the Company assesses whether: (i)the contract involves the use of an identified asset , (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less(short-term leases) and low value leases.For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

**Transition**

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019. Under the new standard, all lease contracts, with limited exceptions, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. The Company has applied the standard to its leases, using the modified prospective method at the date of initial application (i.e. April 1, 2019), with the option to measure the right to use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Accordingly, the Company has not restated comparative information and therefore will continue to be reported under the accounting policies included as part of our annual report for the year ended March 31, 2019.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct cost less any lease incentive. They are subsequently measured at cost less accumulated Depreciation and impairment loss

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term of the underlying assets

On transition, the adoption of the new standard resulted in initial recognition of Right-of-Use asset (ROU) of 1267.42 lakhs, and a corresponding lease liability of 1267.42 lakhs

Operating lease expenses were previously included within Lease rent under other expense. For the current period, the operating lease expenses previously recognised as 'Lease rent are replaced by depreciation charge on right of use asset amounting to Rs. 136.83 Lakhs and interest cost on lease liability amounting to Rs.114.07 Lakhs. The 'Lease Rent ' in statement of profit and loss account now comprise of the lease payments pertaining to short term/low value leases

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The weighted average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 9%

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

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**Notes to the financial statements for the year ended March 31, 2020**

Rs. In lakhs

Particulars	Category of ROU		
	Land	Building	Total
<b>Balance as at April 1, 2019</b>	-	-	-
Assets Recognised on account of adoption of Ind AS 116	998.65	268.77	1,267.42
Additions	-	-	-
Deletion	-	-	-
Depreciation	83.68	53.15	136.83
<b>Balance as at March 31, 2020</b>	<b>914.97</b>	<b>215.62</b>	<b>1,130.59</b>

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The following is the break-up of current and non-current lease liability as at March 31, 2020

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
Non-current lease liabilities	1,133.21	-
Current lease liabilities	74.00	-
<b>Total</b>	<b>1,207.21</b>	

The following is the movement in lease liabilities during the year ended March 31, 2020:

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Balance at the beginning	1,267.42	-
Additions	-	-
Finance cost accrued during the period	114.07	-
Payment of lease liabilities	(174.28)	-
<b>Balance at the end</b>	<b>1,207.21</b>	

The table below provides details regarding contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

Rs. In lakhs

Particulars	As at	
	March 31, 2020	March 31, 2019
not later than one year	182.65	-
later than one year and not later than five years	749.70	-
later than five years	996.89	-

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

The table below provides details regarding Amounts recognised in profit and loss.

Rs. In lakhs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation expense on right-of-use assets	136.83	-
Interest expense on lease liabilities	114.07	-
Expense relating to short-term leases	10.09	-

The total cash outflow for leases for the year ended March 31, 2020 amount to Rs.174.28 Lakhs. The Company is committed to Rs 2.90 lakhs as at March 31, 2020 for short-term leases.

**Notes:**

- i). 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.
- ii). The lease rentals in respect of head office premises does not includes Fixed maintenance and Power backup charges for the purpose of payment of lease rent as being non lease component

**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, 2020	March 31, 2019
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 and interim stay has been granted - The Company has deposited Rs. 1,400 lakhs as court deposit.	3,119.61	2,974.71
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. The Company has deposited Rs. 26.00 lakhs as court deposit.	52.00	52.00
iv) 01 Writ Petition case filed by PMHBL at Hon'ble High Court of Karnataka, Bangalore against the order of Hon'ble District judge of Chickmagalur District for damages outside the ROU. The Company has deposited Rs. 21.03 lakhs as court deposit.	21.03	21.03
	<b>5,758.85</b>	<b>5,613.96</b>

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

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

i) 11 Writ Petition case filed by land owners against PMHBL at Hon'ble High Court of Karnataka, Bangalore for enhancement of compensation against order of Hasan District Court.

ii) 04 cases filed by Land owners at Mangalore District Court for enhancement of Compensation.

iii) 01 Writ Petition filed 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 Valid till 19 June 2020.

3) Bank Guarantee of Rs. 9.00 lakhs has been given by the company in favour of M/s KREDL towards approval of Solar Power Projects by the Company valid till 14 July 2020

4) Bank Guarantee of Rs. 0.32 lakhs has been given by the company in favour of M/s KPTCL towards approval of Solar Power Projects by the Company. Valid till 30th May 2020.

**IV. Appeal against Order of Income Tax**

**Income Tax Case - AY 2016-17 :** Appeal filed with CIT (Appeal) against Order of AO passed U/s. 143(3) for disallowing Depreciation on Right of Way (being amount paid to Forest Department for regularisation of Forest Land) of Rs. 60 Lacs and raised demand of Rs. 30.40 lacs. Hearing yet to take place.

**V. Capital Commitments**

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances if any)	412.61	1,449.54

**Note 30 -COVID 19 impact - Management views**

COVID 19 has very limited impact on PMHBL financials for the year 2019-20 as its operations continued during the lockdown, being in the nature of essential services. The decline in the demand of oil product during the lockdown period had a cascading negative, though not significant, effect on PMHBL thrupt and revenue at the fog end of March 2020. Thus, such a limited impact does not have any bearing on the Company as a going concern. We do not foresee any impact on revenue collection front as all our customers are well established Govt. entities.

PMHBL is having sufficient Cash Reserve, zero debt, lean manpower, sufficient inventory, no exposure to exchange rate variations, no exposure to any Corporate Bonds under its investment portfolio and it is in a position to tide over the short to medium term disruptions caused by COIVD 19 during 2019-20 as well as 2020-21. COVID 19 may have some negative impact on the revenue and profitability during FY 2020-21 and its impact is being assessed continuously by the Management. We do not foresee any downsizing of the workforce and its consequent liability in the foreseeable future.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

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

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	16.08	495.12
(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.

**Petronet MHB Limited**  
**Notes to the financial statements for the year ended March 31, 2020**

Breakup of amount spent during the year on CSR Activities

Rs. In lakhs

Particulars	Year ended	
	March 31, 2020	March 31, 2019
Promoting Health Care & Sanitation	57.67	85.42
Promoting Education, Employment enhancing Vocational Skills and Livelihood enhancement Projects	90.59	8.71
Promoting Environmental Sustainability & Conservation of Natural Resources	78.54	125.95
Promoting Rural Development in alignment with other Thrust Areas	48.02	10.90
Other Eligible Activities	-	-
	<b>274.82</b>	<b>230.98</b>

**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, 2020	March 31, 2019
Revenue from External Customers		
Within India	11,036.12	15,830.03
Outside India	-	-
Non Current Assets		
Within India	17,058.62	15,116.11
Outside India	-	-
Information about Major External Customers		
Major External Customer No. 1	4,870.04	5,295.73
Major External Customer No. 2	3,905.55	3,559.24
Major External Customer No. 3	1,959.44	3,703.69

**Note 34**

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

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

As per our report of even date attached

**for YCRJ & Associates**  
**Chartered Accountants**  
 Firm Registration Number: 006927S

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

**Sd/-**  
**Poornima Y**  
 Partner  
 Membership Number: 212804  
 UDIN : 20212804AAAABB3981

**Sd/-**  
**C Ramakrishnan**  
 Managing Director  
 DIN: 08736843

**Sd/-**  
**Rakesh Kaul**  
 Director  
 DIN: 07975342

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

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

Place : Bangalore  
 Date :29/05/2020

Place : Bangalore  
 Date :29/05/2020



