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### INDEPENDENT AUDITORS' REPORT

To the members of MANGALORE REFINERY AND PETROCHEMICALS LIMITED Report on the Standalone Financial Statements.

We have audited the accompanying standalone financial statements of MANGALORE REFINERY AND PETROCHEMICALS LIMITED ("the Company"), which comprises the Balance Sheet as at 31<sup>st</sup> March, 2016 the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for Standalone Financial Statements

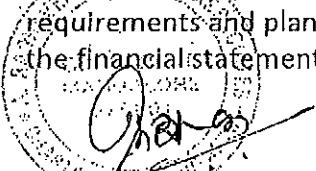
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the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

#### Auditors' Responsibility

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

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

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



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

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

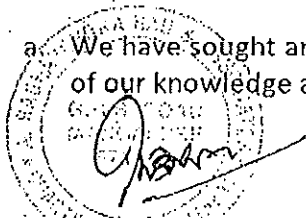
### Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

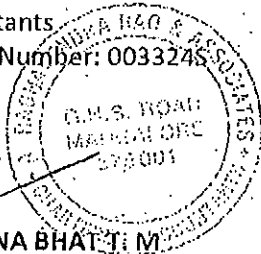
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we have given in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. Based on the verification of Records of the Company and based on the information and explanations given to us, we give below a report on the Directions issued by the Comptroller and Auditor General of India in terms of Sec 143(5) of the Companies Act, 2013.
  - a. The company has clear title/lease deeds for freehold and leasehold land respectively.
  - b. There is one case of write off of debt amounting to Rs.0.70 million in addition to Central Sales Tax on sales to PSU Oil Marketing Companies amounting to Rs. 2,183.92 million and both are being expensed to the Statement of Profit and Loss, the latter has arisen on account of prevailing industry practice.
  - c. The company has maintained adequate records in respect of inventories lying with third parties. No assets have been received by the Company as gift from Government or other authorities.
3. As required by Section 143(3) of the Act, we report that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014
- e. Disqualification of directors stated under Section 164(2) of the Act is not applicable to a Government Company as per notification no. GSR 463(E) of the Ministry of Corporate Affairs dated 05/06/2015.
- f. With respect to the adequacy of the internal financial controls over the financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report Annexure B.
- g. With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements-Refer Note 31.14.03 and 31.14.04 to the financial statements;
  - ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For A.RAGHAVENDRA RAO & ASSOCIATES  
Chartered Accountants  
Firm Registration Number: 0033246



*[Signature]*  
CA.GOPALAKRISHNA BHAT T.M.  
Partner  
Membership no: 019798

For SREEDHAR, SURESH & RAJAGOPALAN  
Chartered Accountants  
Firm Registration Number: 0039579



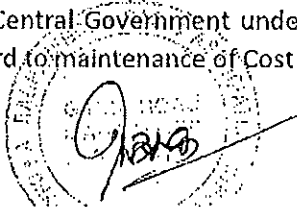
*[Signature]*  
CA. K SREEDHAR  
Partner  
Membership no: 024314

Place: BENGALURU  
Date: 12<sup>TH</sup> MAY, 2016

ANNEXURE 'A' REFERRED TO UNDER PARAGRAPH 1 OF THE REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF THE AUDITORS' REPORT ON STANDALONE FINANCIAL STATEMENTS.

With reference to Annexure 'A' referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the Independent Auditors' report to the members of Mangalore Refinery and Petrochemicals Limited on the financial statement for the year ended 31<sup>st</sup> March, 2016, we report that:

- i.
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. All the assets have not been physically verified by the management during the year, but there is a regular programme of verification, which, in our opinion is reasonable having regard to the size of the Company and nature of its assets. As per the reports submitted by the Company, no material discrepancies have been noticed on such verification.
  - c. According to the information and explanation given to us and the records of the Company examined by us, the title deeds of immovable properties are held in the name of the Company.
- ii. We are informed that the inventory of stores and spares are physically verified during the year by the management on a continuous basis as per programme of perpetual inventory. Inventories of other items have been physically verified at the year end, the frequency of which in our opinion is reasonable, having regard to the size of the company and nature of its business. As per the reports submitted by the Company, no material discrepancies have been noticed on such verification.
- iii. According to the information and explanations 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. Accordingly, reporting under clauses 3 (iii) (a), (b) and (c) of the Order does not arise.
- iv. According to the information and explanations given to us, the Company has not advanced any loan, given any guarantee or provided any security to the parties covered under Section 185 and the Company has not given any loan or made any investment covered under Section 186 of the Companies Act, 2013. Accordingly, reporting under clause 3(iv) of the Order does not arise.
- v. According to the information and explanations given to us, the Company has not accepted any deposits within the meaning of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder. Accordingly, reporting under clause 3(v) of the Order does not arise.
- vi. According to information and explanation given to us, the Central Government has specified the maintenance of cost records under section 148(1) of Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company and report that the directions specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 with regard to maintenance of Cost Records have been complied with.



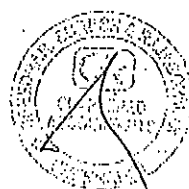
vii.

- a. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, Income tax, sales tax, service tax, duty of excise, value added tax and other statutory dues applicable to it during the year with appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, income tax, sale tax, service tax, duty of excise, value added tax and other statutory dues outstanding as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.
- b. According to information and explanations given to us and as per our verification of records of the Company, the disputed tax which are not deposited with the appropriate authorities as at 31<sup>st</sup> March, 2016 are as follows:

Name of the Statute	Nature of the Dues	Total Demand (Rs.Millions)	Total Amt Paid under protest/ adjusted (Rs.Millions)	Period to which the Amount Relates (Financial Year)	Forum Where the dispute is pending
The Karnataka Sales tax Act, 1957/ Central Sales Act, 1956	Central Sales Tax - Penalty	4.53	Nil	2009-10	Karnataka Appellate Tribunal
	Central Sales Tax - Interest	18.33	12.10	2009-10	Karnataka Appellate Tribunal
	Value Added Tax - Interest	0.43	0.21	2006-07	Appellate Authority - Mangalore
	Value Added Tax - Interest	0.13	0.13	2009-10	Karnataka Appellate Tribunal
	Value Added Tax - Interest	0.66	0.66	2010-11	Karnataka Appellate Tribunal
	Value Added Tax - Penalty	3.48	Nil	2011-12	Appellate Authority - Mangalore
	Value Added Tax - Interest	4.80	2.48	2011-12	Appellate Authority - Mangalore
Income Tax Act, 1961	Income Tax / Interest / Penalty	296.30	296.30	AY 1993-03	Mumbai High Court
		10.93	10.93	AY 2003-04	Income Tax Appellate Tribunal - Mumbai
		233.50	111.10	AY 2006-07	Income Tax Appellate Tribunal - Mumbai
		129.39	129.39	AY 2007-08	Income Tax Appellate Tribunal

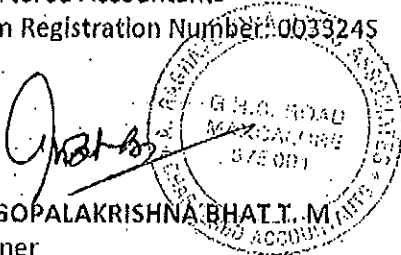
					- Mumbai
		362.49	362.49	AY 2008-09	Income Tax Appellate Tribunal - Mumbai
		1,014.82	1,014.82	AY 2009-10	Income Tax Appellate Tribunal - Mumbai
		126.72	Nil	AY 2008-09	Commissioner of Income Tax (Appeals) - Mumbai
		754.77	698.00	AY 2010-11	Commissioner of Income Tax (Appeals) - Mumbai
		594.02	297.00	AY 2011-12	Commissioner of Income Tax (Appeals) - Mumbai
		546.70	453.70	AY 2012-13	Commissioner of Income Tax (Appeals) - Mumbai
The Customs Act, 1962	Custom Duty / Interest / Penalty	55.57	Nil	1997-2000	Supreme Court Of India
		682.26	Nil	1997-2000	CESTAT - Bangalore
Central Excise Act, 1944	Central Excise Duty / Service Tax / Interest / Penalty	23.40	0.30	2009-10 to 2015-16	Commissioner (Appeals) - Mangalore
		205.06	37.12	1996-97 to 2013-14	CESTAT - Bangalore
		2.33	0.72	2002-03 to 2015-16	Joint Secretary, MOF
		53.70	21.64	1999-2000 to 2010-11	Commissioner - Mangalore
		20.31	-	1996-97 to 2003-2004	Supreme Court
<b>Total</b>		<b>5,144.63</b>	<b>3,449.09</b>		

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowing to any bank or government during the year. The Company did not have any loans or borrowings from any financial institution and has not issued any debentures.



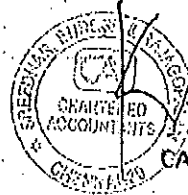
- ix. The Company has neither raised any money by way of initial public offer or further public offer (including debt instruments) nor has availed any term loans during the year. Accordingly reporting under Clause 3 (ix) of the Order does not arise.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practises in India, and according to the information and explanations given to us, we have neither come across any instances of fraud by the Company or any instances of frauds on the Company by its officers or employees, noticed or reported during the year, nor we have been informed of such cases by the management.
- xi. According to the information and explanations given to us, and the records of the Company examined by us, in our opinion, managerial remuneration has been paid in accordance with the DPE Guide Lines.
- xii. According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, reporting under clause 3(xii) of the Order does not arise.
- xiii. According to the information and explanations given to us, and the records of the Company examined by us, in our opinion, all transactions with the related parties are in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, reporting under clause 3(xiv) of the Order does not arise.
- 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 the directors during the year. Accordingly, reporting under clause 3 (xv) of the Order does not arise.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clause 3 (xvi) of the Order does not arise.

For **A.RAGHAVENDRA RAO & ASSOCIATES**  
Chartered Accountants  
Firm Registration Number: 0033245



**CA.GOPALKRISHNA BHATI. M**  
Partner  
Membership no: 019798

For **SREEDHAR,SURESH &RAJAGOPALAN**  
Chartered Accountants  
Firm Registration Number: 0039575



**CA. K SREEDHAR**  
Partner  
Membership no: 024314

Place: BENGALURU  
Date: 12<sup>TH</sup> MAY, 2016

**ANNEXURE-B TO THE AUDITOR'S REPORT****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Mangalore Refinery and Petrochemicals Limited ("the Company") as of March 31, 2016 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**

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

**Auditors' Responsibility**

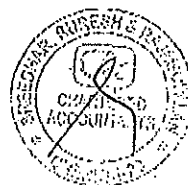
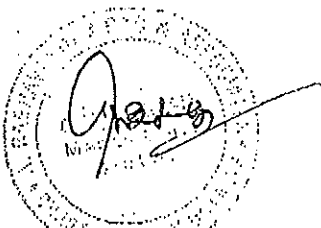
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that 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.

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

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for





external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.


#### Inherent Limitations of Internal Financial Controls over Financial Reporting

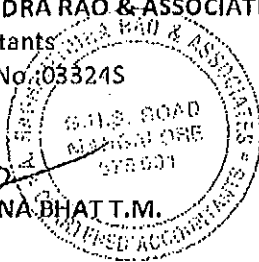
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal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

#### Opinion

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

For A. RAGHAVENDRA RAO & ASSOCIATES  
Chartered Accountants  
Firm Registration No.:03324S

  
CA. GOPALAKRISHNA BHAT T.M.  
Partner  
Membership No.:019798



For SREEDHAR, SURESH & RAJAGOPALAN  
Chartered Accountants  
Firm Registration No.:03957S

  
CA. K. SREEDHAR  
Partner  
Membership No.:024314



Date : 12<sup>TH</sup> MAY, 2016  
Place : BENGALURU