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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Petronet LNG Limited

#### 1. Report on the Standalone Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Petronet LNG Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including Other Comprehensive income), the Cash Flow Statement and the Statement of Change in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred as "standalone Ind AS financial statements").

#### 2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and change in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### 3. Auditor's Responsibility

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

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

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

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

#### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2018, and its profit (financial performance including other comprehensive income), its cash flows and change in equity for the year ended on that date.

#### 5. Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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, Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Change in Equity dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;
- e. On the basis of written representations received from the directors as on 31st March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls with reference to Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 37B to the standalone Ind AS financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts, for which there were any material foreseeable losses - Refer Note 37 A (b) to the financial statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and

For T R Chadha & Co LLP  
Chartered Accountants  
Firm Regn No. 006711N / N500028

Neena Goel  
(Partner)  
M.N. 057986  
Date: 21st May 2018  
Place: New Delhi

“Annexure A” referred to in paragraph 5 of our report of even date

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
  
(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of two years. In accordance with this programme, fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.  
  
(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
2. The inventory has been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such physical verification.
3. The Company has not granted any loans, secured or unsecured, to companies, firm, Limited Liability Partnerships or other parties in the register maintained under section 189 of the Companies Act, 2013. Therefore, the provisions of clause 3(iii) (a), (b) and (c) of the Companies (Auditors Report) Order, 2016 are not applicable.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
5. The Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 or any other relevant provisions and the Rules framed thereunder. Accordingly, the provisions of Clause 3 (v) of the Order are not applicable to the Company.
6. We have broadly reviewed the books of accounts maintained by the Company pursuant to Rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie, the prescribed accounts and records have been maintained.
7. (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service Tax, Custom Duty, Value Added Tax, Cess, Goods and Service Tax and other material statutory dues applicable to it. There were no arrears of undisputed statutory dues as at 31st March 2018, which were outstanding for a period of more than six months from the date they became payable. We are informed that there is no liability towards Employees State Insurance and Excise Duty for the year under audit.  
  
(b) According to the information and explanations given to us and as per the records of the Company, the dues of service tax, custom duty and income tax which have not been deposited/deposited under protest with the appropriate authorities on account of any dispute are given below:
8. The Company has not defaulted in the repayment of dues to financial institutions, banks, Government or debenture holders.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
10. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Companies Act 2013 where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable Accounting Standards.

S. No.	Name of the Statute	Nature of the Dues	Not Deposited (Rs. in Lacs)	Deposited (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
1.	Finance Act, 1994	Service Tax and Interest	4,005	--	FY 2008-09 to 2009-2010	Hon'ble Supreme Court of India
2.	Finance Act, 1994	Service Tax, Interest and penalty	--	2,567	FY 2009-10 to FY 2014-15	CESTAT, Delhi
3.	Finance Act, 1994	Service Tax, Interest and penalty	--	689	FY 2014-15	CESTAT, Delhi
4.	Finance Act, 1994	Service Tax and Interest	754	--	FY 2006-07 to 2010-11	CESTAT, Delhi
5.	Finance Act, 1994	Service Tax and Interest	57	--	FY 2014-2015	Principal Commissioner, Service Tax, Delhi
6.	Finance Act, 1994	Service Tax and Interest	19	--	FY 2015-2016	Assistant Commissioner, Service Tax, Delhi
7.	Finance Act, 1994	Service Tax	--	774	FY 2008-10	Assistant Commissioner, Delhi
8.	Finance Act, 1994	Service Tax	--	753	FY 2008-11	Assistant Commissioner, Delhi
9.	Finance Act, 1994	Service Tax	--	125	FY 2013-16	Assistant Commissioner, Delhi
10.	Custom Act 1962	Custom Duty and Interest	346		FY 2004-07	Hon'ble High Court, Gujarat
11.	Custom Act 1962	Custom Duty and Interest	112		FY 2009-10	Hon'ble High Court, Gujarat
12.	Custom Act 1962	Custom Duty and Interest	284		FY 2005-08	Hon'ble High Court, Gujarat
13.	Custom Act, 1962	Custom Duty	--	959	FY 2012-13	CESTAT, Ahmedabad
14.	Income Tax Act, 1961	Income Tax and Interest	70	--	FY 2007-08	ITAT, Delhi
15.	Income Tax Act, 1961	Income Tax and Interest	7,237	--	FY 2008-09 to 2010-11	ITAT, Delhi
16.	Income Tax Act, 1961	Income Tax and Interest	394	--	FY 2012-13	ITAT, Delhi
17.	Income Tax Act, 1961	Income Tax and Interest	744	--	FY 2011-12	ITAT, Delhi
	<b>Total</b>		<b>14,022</b>	<b>5,867</b>		

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

For T R Chadha & Co LLP  
Chartered Accountants  
Firm Regn No. 006711N / N500028

Neena Goel  
(Partner)  
M.N. 057986  
Date: 21st May 2018  
Place: New Delhi

**“Annexure B” as referred to in paragraph 5(f) of our report of even date**

**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 with reference to Ind AS financial statements of Petronet LNG Limited (“the Company”) as of 31 March 2018 in conjunction with our audit of the Standalone Ind AS 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 with reference to Ind AS financial statements based on the internal controls 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 Act.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to Ind AS financial statements 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 Act, 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 ICAI. 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 with reference to financial statements 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 control system with reference to Ind AS financial statements and their operating effectiveness. Our audit of internal financial control with reference to Ind AS financial statements included obtaining an understanding of internal financial control with reference to Ind AS financial statements, 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.

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 with reference to Ind AS financial statements.

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

A company’s internal financial control with reference to Ind AS financial statements 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 with reference to Ind AS financial statements includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- b) 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
- c) 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 with reference to Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to Ind AS financial statements 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 with reference to Ind AS financial statements and such internal financial controls with respect to financial statements were operating effectively as at 31 March 2018, based on the internal controls over financial reporting criteria established by the Company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For T R Chadha & Co LLP  
Chartered Accountants  
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Neena Goel  
(Partner)  
M.N. 057986  
Date: 21st May 2018  
Place: New Delhi