

INDEPENDENT AUDITOR'S REPORT

To the Members of Petronet LNG Limited Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Petronet LNG Limited (the "Company"), which comprise the balance sheet as at March 31, 2021 and the statement of profit and loss (including Other Comprehensive Income), 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 prepared based on relevant records (hereinafter referred to as the "Standalone Financial Statement").

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, 2021, and its total comprehensive income, its changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. 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 Act 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.

S. No.	Description of Key Audit Matter	Audit Procedures Undertaken to address the Key Audit Matter & conclusions thereon
1.	<p>Impairment testing of Kochi Plant</p> <p>The recoverable value of the Property Plant and Equipment's capitalized under Kochi Plant of the Company are dependent on future demand from Kochi Plant.</p> <p>The determination of recoverable amount of Kochi Plant is based on the value-in use derived from future free net cash flow based on management assumptions of operations for the coming years and from the terminal period. Significant judgement is required by the Management in determining value-in-use, including discount rate to be applied and cash flow projections based on availability of pipeline, demand of gas etc.</p> <p>Accordingly, the impairment evaluation of Kochi Plant is considered to be a key audit matter.</p>	<p>We assessed the Company's process of assessing the impairment requirement for Kochi Plant by reviewing the Impairment Study Report, carried out by an outside consultant appointed by the Company, and for verification of the same, following tests were performed::</p> <ul style="list-style-type: none"> • Considered if the discounted cash flow models used to estimate the recoverable amount of Kochi Plant, based on "Value in Use" (VIU) were in consistent with Indian Accounting Standard. • Considered whether the forecasted cash flows in the impairment model were reasonable and based upon supportable assumptions • Performed tests of the mathematical accuracy of the impairment model calculations. <p>We found management's assessment that there is no immediate case of impairment of Kochi Plant based on VIU is reasonable.</p>

S. No.	Description of Key Audit Matter	Audit Procedures Undertaken to address the Key Audit Matter & conclusions thereon
2.	<p>Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of requirement of Ind AS 115 “Revenue from Contracts with Customers”</p> <p>The application of Ind AS 115 requires certain key judgements including identification of distinct performance obligations and transaction price</p>	<p>We assessed the Company’s process of identification of distinct performance obligations and transaction price and for the same we selected sample contracts, covering all type of revenue recognized by the Company and performed the following procedures:</p> <ul style="list-style-type: none"> • Considered the terms of the contracts to determine the transaction price specially to ascertain if there is any financing component in the arrangement where advances have been received from the customers. • Read, analysed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that identified and recorded by the Company. • Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.. <p>Based on the work performed, we found the management’s assessment of determination of transaction price and identification of distinct performance obligation is reasonable</p>
3.	<p>Determination of credit impairment on trade receivables</p> <p>Trade Receivables are significant to the Company’s financial statements. The Collectability of trade receivables is a key element of the company’s working capital management. Due to complexity of contractual terms, as well as ongoing negotiations with customers, significant judgements are required to estimate whether any impairment provision is required against such receivable and accordingly, it was determined to be a key audit matter in our audit.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> • Assessed the design, implementation and operating effectiveness of internal controls over Management’s evaluation of the Expected Credit Loss on trade receivables including historical credit loss. • Reviewed contractual terms subject to which revenue recognised and trade receivables outstanding in the books. • Reviewed documents related to ongoing negotiation with the customers. • Discussion with management over recoverability of outstanding dues • Reviewing the adequacy and completeness of the disclosures in financial statement.
4.	<p>Contingent liabilities; There are various pending cases against which demand has been raised by different authority.</p>	<p>For legal and regulatory matters, our procedures included following:</p> <ul style="list-style-type: none"> • Assessing the processes and control over legal matters; • Reviewing the Group’s significant legal matters and other contractual claims; • Performing substantive procedures on the underlying calculations of potential liability; • Where relevant, reading external legal opinions obtained by management; • Where relevant, obtaining written confirmation from external legal counsels on the status of the cases • Reviewing the adequacy and completeness of the company’s disclosures. <p>Based on the work performed, we found the disclosures made by the management in note 38(B) of the financial statements are sufficient.</p>

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Company's annual report (mainly Director's Report, Corporate Governance Report, Business Responsibility Report and Management Discussion and Analysis of annual report) but does not include the standalone financial statements and our auditor's report thereon. The other information in annual report except Corporate Governance Report i.e. Directors report, Business Responsibility report and Management Discussion and Analysis of Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone financial statements does not cover the other information and we do not and will 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 on the other information that we have obtained prior to the date of this auditor's report, 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.

When we read the information included in, Management Discussion and Analysis, Directors' Report, and Business Responsibility Report and Other Information in Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with the governance and other appropriate action as may be required.

Responsibilities of management and those charged with governance for the standalone financial statements

The Company's Board of Directors is responsible for the preparation and presentation of these standalone financial statements that give a true and fair view of the Standalone financial position, Standalone financial performance, Standalone cash flows and changes in equity 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 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of standalone financial statement by the directors of the Company, as aforesaid.

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 judgment and maintain professional scepticism 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 financial control 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 expression our opinion on whether the company has adequate internal financial controls with reference to financial statements 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 disclosures 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order
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 of the aforesaid Standalone financial statement.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Standalone financial statement have been kept so far as it appears from our examination of those books.
 - (c) The Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including Other Comprehensive income), the Standalone Statement of Changes in Equity and the Standalone Cash Flow Statement dealt with by this report are in agreement with the books of account and the records maintained for the purpose of preparation of Standalone financial statements.
 - (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) On the basis of the written representations received from the directors as on 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls refer to our separate report in **Annexure B**.
- (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:
- The Company has disclosed the impact of pending litigations on its financial position in the standalone financial statement (Refer Note 38B to the standalone Ind AS financial statements).
 - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses on. Refer Note 38 A (b) to the financial statements
 - There has been no delay in transferring the amounts, required to be transferred to the Investor Education and Protection Fund by the Company.
3. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us by the Company, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.



For T.R. Chadha & Co LLP

Chartered Accountants
(Firm Registration No. 006711N/N500028)

Hitesh Garg

(Partner)
Membership No. 502955
UDIN- 21502955AAAADI6744

Date: 8th June 2021
Place: New Delhi

“Annexure A” referred to in 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 program 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 program, 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 2021, 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:

(Amount in Rs. Lac)

Name of the Statute	Nature of the dues	Disputed Amount	Deposited under Protest	Not deposited	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service Tax & Interest	4,005	-	4,005	FY 2008-09 to 2009-2010	Hon'ble Supreme Court of India
	Service Tax	774	774	-	FY 2008-10	Assistant Commissioner, Delhi
	Service Tax	752	752	-	FY 2008-11	
Custom Act, 1962	Custom Duty & Interest	346	-	346	FY 2004-07	Hon'ble High Court, Gujarat
	Custom Duty & Interest	112	-	112	FY 2009-10	
	Custom Duty & Interest	284	-	284	FY 2005-08	
	Custom Duty	959	-	959	FY 2012-13	Hon'ble Supreme Court of India
Income Tax Act, 1961	Income Tax and Interest	70	-	70	FY 2007-08	ITAT, Delhi
	Income Tax and Interest	256	-	256	FY 2008-09 to 2010-11	ITAT, Delhi
	Income Tax and Interest	394	-	394	FY 2012-13	ITAT, Delhi
	Income Tax and Interest	744	-	744	FY 2011-12	ITAT, Delhi
	Income Tax Penalty	148	-	148	FY 2011-12	CIT(A), Delhi
	Income Tax Penalty	78	-	78	FY 2012-13	CIT(A), Delhi
	Income Tax and Interest	107	-	107	FY 2013-14	ITAT, Delhi
Income Tax and Interest	10	-	10	FY 2015-16	CIT(A), Delhi	

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 give to us and based on our examination of the records, 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.

14. According to the information and explanations given to us and based on our examination of the records, 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.

T R Chadha & Co LLP

Chartered Accountants

Firm Regn No. 006711N / N500028

Hitesh Garg

(Partner)

M.N. 502955

Place: New Delhi

Date: 8th June 2021

UDIN-21502955AAAADI6744





“Annexure B” as referred to in paragraph 2(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 2021 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 authorizations of management and directors of the company; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 with reference to financial statements

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, to the best of our information and according to the explanations given to us, 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 2021, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India..

For T R Chadha & Co LLP

Chartered Accountants

Firm Regn No. 006711N / N500028

**Hitesh Garg**

(Partner)

M. No. 502955

Place: New Delhi

Date: 8th June 2021

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