

**MANGALORE REFINERY AND PETROCHEMICALS LIMITED**

**MINUTES OF THE 121<sup>st</sup> MEETING OF THE AUDIT COMMITTEE OF MANGALORE REFINERY AND PETROCHEMICALS LIMITED HELD ON THURSDAY THE 10<sup>TH</sup> JUNE, 2021 AT 09:00 AM IN THE BOARD ROOM OF MRPL, MANGALURU THROUGH VIDEO CONFERENCING.**

**1 DURATION OF THE MEETING**

Meeting commenced at : **09:00 A.M.**  
Meeting concluded at : **10:00 A.M.**

**2 ATTENDANCE**

**2.1 Members attended through electronic mode:**

1. Shri R. T. Agarwal : Chairman
2. Shri Vinod S Shenoy : Member
3. Shri Rohit Mathur : Member

**2.2 Invitee(s) attended through physical / electronic mode:**

4. Shri M. Venkatesh : Managing Director
5. Smt. Pomila Jaspal : Director (Finance)
6. Shri Sanjay Varma : Director (Refinery)
7. Shri Rajeev Kushwah : Chief Vigilance Officer
8. Shri B H V Prasad : Executive Director (Projects)
9. Shri Yogish Nayak : GGM (Finance)
10. Shri Deepak Prabhakar : CGM (Corporate Strategy) Agenda Item No.121.02
11. Ms. Natasha Shroff : M/s Shardul Amarchand Mangaldas & Co.
12. Ms. Pragya Set : M/s Shardul Amarchand Mangaldas & Co.

**2.3 In Attendance:**

13. Shri K B Shyam Kumar : Company Secretary

### 3.0 QUORUM

The requisite quorum was present during the meeting. Chairman welcomed all the Members and Invitees to the Audit Committee meeting.

#### 121.01 TO GRANT LEAVE OF ABSENCE.

- 1.0 Ms. Esha Srivastava was granted leave of absence due to her pre-occupied work schedule.

#### 121.02 TO REVIEW AND RECOMMEND THE SCHEME OF AMALGAMATION BETWEEN OMPL AND MRPL AND THEIR RESPECTIVE SHAREHOLDERS & CREDITORS.

- 1.0 CGM (Corporate Strategy) briefed the scheme of Amalgamation between OMPL and MRPL and their respective Shareholders & Creditors.
- 2.0 It was proposed that OMPL (the wholly owned subsidiary of MRPL) (“Transferor Company”) be amalgamated into and with its parent company, MRPL (“Transferee Company”).
- 3.0 The proposed integration was: (a) in line with global trend of aromatics plants being operated on integrated basis with refineries with a view to provide higher returns for stakeholders, adding value to refinery product streams and flexibility to refinery to optimize its GRM; (b) likely to generate higher value to the entire group as the Transferee Company would then consider enhancing feedstock and entire fuel requirement of the petrochemical unit to allow for optimal utilization of the capacity; and (c) help optimization of both the plants to maximize combined margins of refinery and petrochemicals in tune with market dynamics.
- 4.0 In order to give effect to such merger, a scheme of amalgamation between the Transferor Company and the Transferee Company and their respective shareholders and creditors (“Scheme”) had been drawn up and placed for review and approval. This document had been vetted by the Secretarial and Legal departments of the Transferor Company and the Transferee Company. On a query, it was clarified that the Scheme was drafted by M/s Shardul Amarch and Mangaldas & Co. Legal Consultant.

- 5.0 The Transferor Company was a wholly owned subsidiary of the Transferee Company and pursuant to the Scheme, the Transferor Company would merge into the Transferee Company and the entire equity share capital of Transferor Company held by the Transferee Company would be cancelled upon the amalgamation. As the Transferee Company cannot issue shares to itself in consideration for the amalgamation, no shares would be issued to the shareholders of the Transferor Company under the Scheme. Further, in terms of the SEBI circular dated 22 December 2020 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 (“Scheme Circular”), the provisions of the said circular shall not apply to schemes which solely provide *inter alia* for the merger of a wholly owned subsidiary with the parent company. However, the draft Scheme would be filed with the Stock Exchanges for the purpose of disclosures and the Stock Exchanges would be disseminate the Scheme on their websites. No share exchange report/valuation report was required to be prepared in relation to the Scheme pursuant to the circulars issued by SEBI as no shares would be issued.
- 6.0 The compulsorily convertible debentures aggregating to ₹ 10,00,00,00,000 ( ₹ 1000 Crore) having face value of ₹ 1,00,00,000 ( ₹ 1 Crore) each, issued by the Transferor Company shall stand extinguished and cancelled in terms of the Scheme.
- 7.0 The Appointed Date of the Merger shall be 01/04/2021.
- 8.0 The draft Certificate provided by M/s Shankar & Moorthy and M/s Ram Raj & Co, the statutory auditors of the Transferee Company to the effect that the accounting treatment under the Scheme is in conformity with the accounting standards prescribed under Section 133 of the Act, was placed in the agenda for review. It was confirmed that all assets and liabilities including contingent liabilities will be accounted for as per Ind AS 103 - Business Combinations.
- 9.0 On a query, whether transferor company (OMPL) having negative net worth (as on 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021), can be amalgamated as per provisions of various acts, rules and regulations including companies act, it was clarified that there is no bar under applicable law restricting OMPPL from undertaking a merger despite having a negative net worth/or not having profits.

- 10.0 On another query whether the CCDs (Compulsory convertible debentures) of Rs.1,000 Crore issued by OMPL be cancelled without the consent of CCD holders, it was clarified that cancellation of CCDs needs the consent of CCD holders under the contractual arrangements with such CCD holders. Such consent (contractual) would be obtained in due course upon filing of the company application with the Ministry of Corporate Affairs (“MCA”). Preliminary discussions have already been held with the CCD holders. Further proposed treatment of the CCD was also presented to the Committee. It was informed to Committee that CCDs will be discharged by the company before merger as there is no intention of conversion into shares. Accordingly, it was advised that 49% liability should be borne by ONGC since the guarantee was in the ratio of 51:49 by MRPL & ONGC respectively at the time of issue of CCDs.
- 11.0 On a query, whether 90%/ 75% value of creditors, as the case may be, of respective companies have approved the scheme (including safeguard of other creditors), it was clarified that creditors’ consent will be obtained in due course upon filing of the company application with the MCA.
- 12.0 On another query, whether each of the company involved in merger i.e., OMPL and MRPL has to file a declaration of solvency with the registrar or report by the auditor that fund requirements of the company after corporate debt restructuring shall confirm to liquidity test, it was informed that Legal Counsel confirmed that a declaration of solvency is needed to be filed with the Registrar of Companies for a scheme of arrangement proposed under the fast track merger process provided for by Section 233 of the Companies Act, 2013 (“Act”). Since the proposed scheme of arrangement is proposed to be filed under Section 230-232 of the Act, a declaration of solvency is not needed.
- 13.0 It was pointed out by Chairman that the financial position of Transferor Company and Transferee Company along with their financial statements and audit report and proposed balance sheet after amalgamation and the impact of merger on financials of MRPL should have been quantified and sent along with agenda of Audit committee. However, the same could not be put up in the Audit Committee meeting also for the deliberation of committee due to paucity of time.

In absence of above, as gathered from consolidated accounts of MRPL for FY 2020-21, Chairman, Audit Committee informed that OMPL has been incurring losses since start of its operation and its Net Worth has eroded fully and gone to negative. As stated in the scheme, the investment assets (₹ 3,370 Crore Approx.) appearing in MRPL Balance Sheet will be cancelled. It means investments in OMPL by MRPL has wiped out. There is liability of lenders and creditors to the extent of ₹ 8000 Crore in OMPL which will be taken over by MRPL in its liability after amalgamation. This will have additional burden of repayment on MRPL. So far as financial position of MRPL is concerned, it is already under stress since borrowing of MRPL has increased considerably (₹ 17500 Crore) and Net Worth reduced due to huge losses in 2019-20 and 2020-21. MRPL on standalone basis is defaulting its loan covenants. After amalgamation of OMPL, the outstanding loan of MRPL will further increase by ₹ 8000 Crore approx. and consequently the financial position of MRPL will be very critical for day –to-day operation.

However, since GOI has already decided for merger of OMPL with MRPL in July 2020, the Board may deliberate on financial position of both companies

- 14.0 The Audit Committee reviewed and noted the Scheme of Amalgamation and forwarded the above deliberation to Board for further discussion and decision.

**VOTE OF THANKS**

The meeting ended with a Vote of Thanks to the Chair.

  
Company Secretary

Date

  
Chairman