

INDEPENDENT AUDITOR'S REPORT

To the Members of HPCL-Mittal Energy Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of HPCL-Mittal Energy Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2023, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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 consolidated state of affairs of the Group as at March 31, 2023, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group 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 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 audit opinion on the consolidated Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion



on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Settlement of deferred central sales tax liabilities (as described in Note 2(d) and 29 of the consolidated Ind AS financial statements)	
The Group had in previous years adjusted the undisbursed Interest Free Loan (IFL) with net present value of deferred Central Sales Tax (CST) liabilities. The Group had obtained external legal opinion to support this proposition. The revenue department had challenged such adjustments and currently the matter is pending adjudication with the appellate authority. Since significant judgment and estimation is involved in assessing the outcome of the matter and because of the significance of the amounts, it has been considered as a key audit matter.	Our audit procedures included the following: • Examined the underlying Deed of Assurance (DOA) and the correspondences with relevant revenue department including assessment orders, appeals filed by the Company and enquired with the Group's legal team to understand the status and updates on the matter; • Examined external legal opinions obtained by the Group in this regard and assessed appropriateness of management's position through discussions with Group's in house legal team. Assessed the competence and objectivity of the Group's experts; • Involved specialists in assessing the possible outcome of the matter; • Assessed the adequacy of disclosures made by the Group in this regard as per the relevant accounting standards in particular the disclosure of the estimation of uncertainty.

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

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of their respective companies 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 the 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 consolidated Ind AS 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 the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of their respective companies 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the companies included in the Group are also responsible for overseeing the financial reporting process of their respective companies.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 consolidated Ind AS financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated Ind AS 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 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 expressing our opinion on whether the Holding 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 ability of the Group 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 consolidated Ind AS 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors 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 consolidated Ind AS financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter 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.

Other Matter

The consolidated Ind AS financial statements of the Company for the year ended March 31, 2022, included in these consolidated Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on April 26, 2022.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our audit, we report that there are no qualifications or adverse remarks in the Companies (Auditors Report) Order (CARO) reports of the companies included in the consolidated financial statements. Accordingly, the requirement to report on clause 3(xxi) of the Order is not applicable to the Holding Company.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 consolidated Ind AS financial statements;
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;



- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company and its subsidiary as on March 31, 2023 taken on record by the Board of Directors of the Holding Company and its subsidiary, none of the directors of the Group's companies incorporated in India, is disqualified as on March 31, 2023 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 consolidated Ind AS financial statements of the Holding Company and its subsidiary incorporated in India, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2023 has been paid / provided by the Holding Company and its subsidiary, incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated Ind AS financial statements - Refer Note 32 to the consolidated Ind AS financial statements;
 - ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 11.5 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary, incorporated in India during the year ended March 31, 2023.
 - iv. a) The respective managements of the Holding Company and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiary to or in any other persons or entities, including foreign entities ("Intermediaries"), with the



understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

- b) The respective managements of the Holding Company and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, no funds have been received by the respective Holding Company or any of such subsidiary from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.
- v) The interim dividend declared and paid by the Holding Company, incorporated in India during the year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Naman Agarwal

Partner

Membership Number: 502405

UDIN: 23502405BGXEDS6082

Place of Signature: Gurugram

Date: April 24, 2023



Annexure 1 referred to in paragraph 2(f) under the heading "Report on other legal and regulatory requirements" of our report of even date on the consolidated Ind AS financial statements of HPCL-Mittal Energy Limited

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

In conjunction with our audit of the consolidated Ind AS financial statements of HPCL-Mittal Energy Limited (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to consolidated Ind AS financial statements of the Holding Company and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding 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 the respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to consolidated 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, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by 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 consolidated Ind AS 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 controls with reference to consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated Ind AS financial statements included obtaining an understanding of internal financial controls with reference to consolidated 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 internal financial controls with reference to consolidated Ind AS financial statements.



Meaning of Internal Financial Controls With Reference to Consolidated Ind AS Financial Statements

A company's internal financial control with reference to consolidated 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 consolidated Ind AS financial statements 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 With Reference to Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated Ind AS financial statements, 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 consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated 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 Holding company and its subsidiary, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to consolidated Ind AS financial statements and such internal financial controls with reference to consolidated Ind AS financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Naman Agarwal

Partner

Membership Number: 502405

UDIN: 23502405BGXEDS6082

Place of Signature: Gurugram

Date: April 24, 2023



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2023	31 March 2022
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	467,881	237,890
Capital work in progress	3.2	53,616	220,327
Intangible assets	4	340	302
Financial assets			
Other financial assets	5.5	667	584
Tax assets (net)	6	2,116	1,113
Other non-current assets	7	1,822	2,221
		526,442	462,437
Current assets			
Inventories	8	104,865	104,798
Financial assets			
Trade receivables	5.2	22,743	35,970
Cash and cash equivalents	5.3	27,624	15,812
Other bank balances	5.4	7,452	2,211
Other financial assets	5.5	578	676
Other current assets	7	3,570	4,583
		166,832	164,050
TOTAL ASSETS		693,274	626,487
EQUITY AND LIABILITIES			
Equity			
Equity share capital	9	80,411	80,411
Other equity	10	67,527	31,445
		147,938	111,856
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	11.1	328,814	329,762
Lease liabilities		593	560
Other financial liabilities	11.5	18,647	17,901
Provisions	12	1,177	1,140
Deferred tax liabilities (net)	13	26,866	16,023
Other non-current liabilities	14	17,509	8,542
		393,606	373,928
Current liabilities			
Financial Liabilities			
Borrowings	11.2	60,490	11,130
Lease liabilities		211	88
Trade payables	11.4		
Total outstanding dues of micro enterprises and small enterprises		168	108
Total outstanding dues of creditors other than micro enterprises and small enterprises		58,537	94,542
Other financial liabilities	11.5	19,141	25,180
Other current liabilities	14	8,337	9,480
Provisions	12	4,846	175
		151,730	140,703
TOTAL EQUITY AND LIABILITIES		693,274	626,487

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Naman Agarwal
Partner

Membership No. 502405



For and on behalf of the Board of Directors
HPCL-Mittal Energy Limited

Rajan Tandon
Director
DIN 01968916

Rajneesh Narang
Director
DIN 08188549

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Place: Mumbai

Place: Mumbai

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: Gurugram
Date: 24 April 2023

Place: New Delhi
Date: 24 April 2023

Place: New Delhi



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2023	31 March 2022
Income			
Revenue from operations	15	961,506	895,512
Other income	16	1,339	928
Total Income		962,845	896,440
Expenses			
Cost of raw materials consumed	17	664,673	516,858
Changes in inventories of finished goods and work-in-progress	18	(7,251)	(5,342)
Excise duty on sale of goods		181,102	304,460
Employee benefits expense	19	4,250	3,674
Finance costs	20	13,106	9,993
Depreciation and amortisation expense	21	11,057	10,800
Other expenses	22	35,170	15,109
Total expenses		902,107	855,552
Profit before tax		60,738	40,888
Tax expense			
Current tax		-	-
Deferred tax charge		11,752	28,312
Total tax expense	13.1	11,752	28,312
Profit for the year		48,986	12,576
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Re-measurement gain/(loss) on defined benefit obligations		(71)	56
Income tax impact	13.1	18	(18)
		(53)	38
Items that will be reclassified to profit and loss			
Effective portion of gain/(loss) on cash flow hedges (net)		(3,538)	(1,598)
Income tax impact	13.1	891	257
		(2,647)	(1,341)
Total other comprehensive income/(loss) for the year		(2,700)	(1,303)
Total comprehensive income for the year		46,286	11,273
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic and Diluted		6.09	1.56

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Naman Agarwal
Partner
Membership No. 502405



For and on behalf of the Board of Directors
HPCL-Mittal Energy Limited

Rajan Tandon
Director
DIN 01968916

Place: Mumbai

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 24 April 2023

Rajneesh Narang
Director
DIN 08188549

Place: Mumbai

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

Place: Gurugram
Date: 24 April 2023



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

(a) Equity share capital

	No. million	INR million
As at 31 March 2021	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2022	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2023	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Cash Flow Hedge Reserve	Total
As at 31 March 2021	24,632	2,633	(969)	26,296
Profit for the year	12,576	-	-	12,576
Other comprehensive income/(loss) for the year - Effective portion of cash flow hedges (net of tax)	-	-	(1,341)	(1,341)
Other comprehensive income/(loss) for the year - Re-measurement of defined benefit obligations (net of tax)	38	-	-	38
Transfer from retained earnings (note 10)	(43)	43	-	-
Interim dividend paid for financial year 2021-22 (note 35)	(6,124)	-	-	(6,124)
As at 31 March 2022	31,079	2,676	(2,310)	31,445
Profit for the year	48,986	-	-	48,986
Other comprehensive income/(loss) for the year - Effective portion of cash flow hedges (net of tax)	-	-	(2,647)	(2,647)
Other comprehensive income/(loss) for the year - Re-measurement of defined benefit obligations (net of tax)	(53)	-	-	(53)
Transfer to retained earnings (note 10)	627	(627)	-	-
Interim dividend paid for financial year 2022-23 (note 35)	(10,204)	-	-	(10,204)
As at 31 March 2023	70,435	2,049	(4,957)	67,527

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Naman Agarwal
Partner
Membership No. 502405



For and on behalf of the Board of Directors
HPCL-Mittal Energy Limited

Rajan Tandon
Director
DIN 01968916

Place: Mumbai

Rajneesh Narang
Director
DIN 08188549

Place: Mumbai

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 24 April 2023

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

Place: Gurugram
Date: 24 April 2023



HPCL-MITTAL ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2023	31 March 2022
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		60,738	40,888
Adjustments for:			
Unrealised foreign exchange loss/(gain) (net)		4,714	(859)
Unrealised loss/(gain) on currency derivative contracts (net)		11	(465)
Unrealised loss/(gain) on commodity derivative contracts (net)		222	1,225
Finance costs		11,154	7,489
Depreciation and amortisation expense		11,057	10,800
Interest Income		(753)	(409)
Exchange difference to the extent considered as an adjustment to borrowing cost		1,658	1,759
Loss on sale/discard of property, plant and equipment/capital work in progress (net)		654	481
Liability towards vendors no longer required written back		(1)	(14)
Operating profit before working capital changes		89,454	60,895
Movement in working capital:			
(Increase)/decrease in inventories		(4)	(44,497)
(Increase)/decrease in trade receivables		13,226	(17,273)
(Increase)/decrease in other financial assets		(114)	(71)
(Increase)/decrease in other assets		1,784	(3,179)
Increase/(decrease) in trade payables		(35,984)	49,886
Increase/(decrease) in other financial liabilities		3,873	7,806
Increase/(decrease) in provisions		223	47
Increase/(decrease) in other liabilities		5,618	6,497
Cash generated from operations		78,076	60,111
Direct tax (paid)/refund (net)		(1,003)	284
Net cash generated from operating activities (A)		77,073	60,395
B CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(59,035)	(33,765)
Investment in fixed deposits		(7,560)	(2,211)
Proceeds from maturity of fixed deposits		2,319	1,353
Interest received		794	629
Net cash used in investing activities (B)		(63,482)	(33,994)



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2023	31 March 2022
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	11.3	60,769	84,068
Repayment of non-current borrowings	11.3	(78,314)	(77,817)
Proceeds from current borrowings	11.3	530,478	202,161
Repayment of current borrowings	11.3	(477,999)	(201,818)
Payment of principal portion of lease liabilities		(157)	(150)
Dividend paid		(10,204)	(6,124)
Borrowing costs paid			
- Interest		(24,632)	(18,589)
- Others		(1,720)	(1,341)
Net cash used in financing activities		(1,779)	(19,610)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		11,812	6,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		15,812	9,021
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		27,624	15,812

Notes:

- (i) The consolidated statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 Statement of cash flows.
(ii) Components of cash and cash equivalents included under cash and cash equivalents (note 5.3) are as under:

Balances with scheduled banks		
-On current accounts	203	229
-Deposits with original maturity of upto 3 months	27,421	15,583
Cash and cash equivalents (note 5.3)	27,624	15,812

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005


per Naman Agarwal
Partner
Membership No. 502405



For and on behalf of the Board of Directors
HPCL-Mittal Energy Limited


Rajan Tandon
Director
DIN 01968916

Place: Mumbai



Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 24 April 2023


Rajneesh Narang
Director
DIN 08188549

Place: Mumbai


Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai


Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

Place: Gurugram
Date: 24 April 2023



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

1. Corporate Information

HPCL-Mittal Energy Limited ('HME' or 'the Company') was incorporated in the year 2000 as a wholly owned subsidiary of Hindustan Petroleum Corporation Limited ('HPCL'), a Government Company. Subsequently, the Company, pursuant to a joint venture agreement entered into between HPCL and Mittal Energy Investments Pte. Limited, Singapore (a wholly owned subsidiary of Mittal Investments S.a.r.l, Luxembourg) ('Mittal Energy') became a joint venture Company with equal equity participation by HPCL and Mittal Energy. The Company is domiciled in India and is limited by shares. The registered office of the Company is located at Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab - 151301.

The Company is engaged in the business of refining of crude oil and has a petroleum refinery of 11.3 Million Metric Tonne Per Annum (MMTPA) called Guru Gobind Singh Refinery at Bathinda, Punjab.

The Company has a wholly owned subsidiary, viz. HPCL-Mittal Pipelines Limited ('HMPL'), domiciled in India and limited by shares which owns and operates a Single Point Mooring ('SPM'), crude receipt and storage facility at Mundra port, Gujarat and 1,017 kilometers cross country pipeline for storage and transportation of crude oil. The Company also has a wholly owned non-profit organisation incorporated under Section 8 of the Companies Act, 2013 ('Act'), viz. HPCL-Mittal Foundation.

The Company along with its subsidiary is collectively hereinafter referred to as 'the Group'.

The consolidated financial statements have been authorized for issue by the Board of Directors on 24 April 2023.

2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 read with Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time), Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and the relevant provisions of the Act.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value/ amortised cost. Refer note 2(f)(4) for accounting policy regarding financial instruments.

The consolidated financial statements have been prepared and presented in INR, which is the Group's functional currency and all values are rounded to the nearest million except when otherwise indicated. Also refer note 2(f)(12) for accounting policy in respect of accounting for foreign currency transactions.

(b) Changes in accounting policies and standards issued but not yet effective

(i) New and amended standards

The Ministry of Corporate Affairs (MCA) vide Notification dated 23 March 2022 had issued Companies (Indian Accounting Standards) Amendment Rules, 2022 which introduced amendments in certain Indian Accounting Standards that are effective from 1 April 2022.

- (i) Ind AS 101 First Time Adoption of Indian Accounting Standards (amendment related to measurement of cumulative translation differences for foreign operations)
- (ii) Ind AS 103 Business Combinations (amendments consequent to Conceptual Framework)
- (iii) Ind AS 109 Financial Instruments (amendment in Appendix B)
- (iv) Ind AS 16 Property, Plant and Equipment (amendment related to excess net sales proceeds over cost of testing)
- (v) Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments related to onerous contracts)
- (vi) Ind AS 41 Agriculture (amendment related to annual improvements to Ind AS)

The amendments were applied to annual period beginning on or after 1 April 2022. These amendments have no material impact on the consolidated financial statements of the Group.

(ii) Accounting Standards (Ind AS) issued but not yet effective

The Ministry of Corporate Affairs ('MCA') vide its notification dated 31 March 2023 has issued Companies (India Accounting Standards) Amendment Rules, 2023, which introduced amendments in certain Indian Accounting Standards that are effective from 1 April 2023.

- (i) Ind AS 101 First time adoption of Ind AS
- (ii) Ind AS 102 Share based payments
- (iii) Ind AS 103 Business Combination
- (iv) Ind AS 107 Financial Instruments Disclosures



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

- (v) Ind AS 109 Financial Instruments
- (vi) Ind AS 115 Revenue from Contracts with Customers
- (vii) Ind AS 1 Presentation of Financial Statements
- (viii) Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- (ix) Ind AS 12 Income Taxes
- (x) Ind AS 34 Interim Financial Reporting

The Group is currently evaluating the impact of amendments to the aforementioned accounting standards on its consolidated financial statements.

(c) Basis and principles of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2023. The Company has one subsidiary in India, HPCL-Mittal Pipelines Limited in which it holds 100% equity shares. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- b) Exposure, or rights, to variable returns from its involvement with the investee, and
- c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee;
- b) Rights arising from other contractual arrangements;
- c) The Group's voting rights and potential voting rights;
- d) The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The accounting policies of the subsidiary are, in all material respects, in line with accounting policies of the Company.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year ended on 31 March 2023.

The financial statements of HPCL-Mittal Foundation, incorporated under Section 8 of the Act are not considered for consolidation since the definition of control is not met as the objective of investment in this company is not to obtain economic benefits from its activities.

Consolidation procedures:

- a) The financial statements of the Company and its subsidiary company are consolidated on line-by-line basis adding together the book value of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements as at the acquisition date.
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- c) Eliminate in full, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 *Income Taxes* applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's



Handwritten signature/initials

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(d) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Critical judgments in applying accounting policies

The key judgments, made by the management, in applying the Group's accounting policies having an effect on these consolidated financial statements are as follows:

- amount of provisions and contingencies that have been recognised in accordance with Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* as the evaluation of the likelihood of the contingent events requires best judgment on the probability of exposure to potential loss; and
- amount of cumulative gain consequent to Company's decision to settle the deferred central sales tax liability on a net present value basis and convert the resultant amount into an undisbursed Interest free loan ('IFL') from Government of Punjab ('GoP') and deferment of central sales tax liabilities collected subsequent to adjustment with undisbursed IFL, as fully described in note 29.

Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Property, plant and equipment

The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal and external technical assessment, user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the assets. The Group reviews the useful life of property, plant and equipment at regular intervals. The recoverable amount of property plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

(e) Current and non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

- it is expected to be realized within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

A liability is classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the reporting date; or
- The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/liabilities include current portion of non-current financial assets/liabilities respectively. All other assets/liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle

Based on the nature of the operations and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current non-current classification of assets and liabilities.

(f) Summary of significant accounting policies

1) Property, plant and equipment ('PPE')

Recognition and measurement

Property, plant and equipment ('PPE') is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

Cost comprises of purchase price, borrowing costs if capitalisation criteria is met and is directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Likewise, on initial recognition expenditure to be incurred towards major inspections and overhauls are required to be identified as a separate component and depreciated over the expected period till the next overhaul expenditure.

Subsequent costs and disposal

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period in which such expenses are incurred.

From accounting periods commencing on or after 1 April 2011, exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable assets are adjusted to the cost of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of PPE are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Such exchange differences arising on translation/ settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are amortised over the remaining useful lives of the assets. The Group has elected to continue with the said policy on exchange differences arising on long term foreign currency monetary items existing on 31 March 2016.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

From accounting periods commencing on or after 1 April 2016, exchange differences arising on translation/ settlement of long-term foreign currency monetary items, acquired post 1 April 2016, pertaining to the acquisition of a depreciable asset are charged to the consolidated statement of profit and loss.

Gains or losses arising from derecognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit and loss when the asset is derecognised.

Depreciation and useful lives

Depreciation on PPE is calculated using the straight-line method (SLM) to allocate their cost, net of their residual values, over their estimated useful lives (determined by the management based on technical estimates) as given below. The asset's residual values and useful lives are reviewed regularly and adjusted prospectively, if appropriate.

Particulars	Useful life (years)
Buildings	30-60
Buildings (roads)	5
Temporary buildings and water lines	3
Plant and equipment*	10-40
Railway Sidings	15
Furniture and Fixtures	10
Vehicles	8
Office Equipment	5
Computer and peripherals	3-6

*Includes plant and machinery depreciated over its useful life as technically assessed.

Assets constructed on leasehold properties are depreciated over the remaining period of the lease or the useful life mentioned above, whichever is lower.

Leasehold improvements are depreciated over primary period of lease, i.e. 9 years or the useful life mentioned above, whichever is lower.

Fixed-bed catalyst (included in Plant and equipment) are depreciated on SLM basis over their useful life determined based on individual chemical reports (ranging from 1 to 10 years) or using life mentioned above whichever is lower.

Residual value of Catalyst with noble metal content has been assessed at 90% of original cost of noble metal content

Spares, with useful life of more than one year are depreciated over the useful life of the principal item of PPE in case of specific spare and over the useful life of that spare in case of common spare from the date they are ready for use which ranges between 2 to 5 years.

No depreciation is charged on freehold land since they have an infinite life.

2) Intangible assets

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation

Intangible assets of the Group represent computer softwares and license and are amortised using the straight-line method over the estimated useful life of five years or the tenure of the respective software license, whichever is lower. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the intangible asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit and loss when the intangible asset is derecognised.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

3) Impairment of property, plant and equipment and intangible assets

The carrying amounts of assets are reviewed at each reporting date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount. The recoverable amount is the greater of the asset's (or cash generating unit's) net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

4) Financial instruments

Recognition and subsequent measurement

Financial assets and financial liabilities are recognised when Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit and loss.

A. Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits (unpledged) and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) Other bank balances

Other bank balances consists of term deposits with banks, which have original maturities of more than three months. Such assets are recognised and measured at amortised cost (including directly attributable transaction cost) using the effective interest method, less any impairment losses.

(iii) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest method 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.

(iv) 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. Financial assets are subsequently measured at fair value with fair value movements being recognized in the other comprehensive income if the financial assets are held within the business whose objective is achieved both by collecting contractual cash flows and selling the 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.

(v) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through loss allowance. The Group recognises lifetime expected losses for trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to 12 months expected credit losses or at an amount equal to lifetime expected losses, if the credit risk on the financial asset has increased significantly since initial recognition.

(vi) Derecognition of financial assets

The Group 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.

On derecognition of a financial asset in its entirety (except for equity instruments designated as FVTOCI), the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit and loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

B. Equity instruments and financial liabilities

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received. Incremental costs directly attributable to the issuance of new ordinary equity shares are recognised as a deduction from equity, net of tax effects.

(ii) Financial liabilities

a) Financial liabilities subsequently measured at amortised cost

Financial liabilities are measured at amortised cost at the end of subsequent accounting period. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

b) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit and loss.

C. Effective interest rate (EIR)

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example: prepayment, extension, call and similar options) but does not consider the expected credit losses.

D. (i) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure in interest rate, commodity price and foreign exchange rate risks, including interest rate swaps, commodity derivatives and foreign exchange forward contracts respectively.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated statement of profit and loss, except for derivatives which have been designated under hedging relationships for the purpose of hedge accounting.

(ii) Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect to foreign currency risk, interest rate risk and non-derivative financial instruments in respect to foreign currency risk, as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of changes in the fair value of derivatives and exchange gain/loss on translation of certain foreign currency monetary assets and liabilities that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of 'Cash Flow Hedge Reserve'. The gain or loss relating to the ineffective portion for the period/year is recognised immediately in profit or loss, and is included in the 'Other income'/'Other expenses', as the case may be. Amounts recognised in the 'Cash



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Flow Hedge Reserve' are recycled in the consolidated statement of profit and loss in the periods when the hedge item is recognised and affects the consolidated statement of profit and loss.

The effective portion of cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Hedge accounting is discontinued when the Group's revokes the hedging relationship, the hedging instruments expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. In case of cash flow hedges, any cumulative gain or loss deferred in the 'Cash Flow Hedge Reserve' at that time is retained and is recognised when the forecast transaction is ultimately recognised and affects the consolidated statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred is recognised immediately in the consolidated statement of profit and loss.

E. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

F. Fair value measurement

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 under current market conditions

The Group categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement which are described as follows:

- (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.
- (c) Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants.

5) Borrowing costs

Borrowing cost includes interest expense as per effective interest rate, interest expense on lease liabilities and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Borrowing cost, if any, incurred on general borrowings used for projects is capitalised at the rate computed on weightage basis.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the amount of borrowing costs on such specific borrowings being capitalized.

6) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares: Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a moving weighted average basis.

Work-in-progress and finished goods: Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, and is determined on a monthly weighted average basis. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs net of benefits, necessary to make the sale.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

7) Government grants and subsidies

Grants and subsidies (including incentives) from the government are recognised when there is a reasonable assurance that (i) the Group will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the consolidated statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities. The Group has elected to reduce the grant related to income from the related interest expense.

8) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Provisions are reviewed by the management at each reporting date and adjusted to reflect the current best estimates.

9) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements.

10) Employee benefits

(a) Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

(b) Post-employment benefits

The Group operates the following post-employment schemes:

Defined contribution plan: Provident fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Defined benefit plan: Gratuity

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service, subject to limits prescribed as per the Gratuity Act, 1972. Group has created a fund with insurance companies in the form of a qualifying insurance policy, to cover the entire liability.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

The liability or asset recognised in the consolidated balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at each reporting date by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit and loss as past service cost.

(c) Other long-term employee benefit obligations: Compensated absences

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated statement of profit and loss.

11) Revenue recognition

Sale of goods and services

Revenue is recognised as per Ind AS 115 *Revenue from Contracts with Customers*.

Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

Recovery of excise duty flows to the Group on its own account and becomes liability of the Group and forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Group on its own account, revenue includes excise duty.

The Group collects central sales tax (CST), value added taxes (VAT) and goods & service tax (GST) on behalf of the government and therefore, these are not economic benefits flowing to the Group and is excluded from revenue.

The Group recognises revenue when control of the goods or services is transferred to the customer at amount that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer)

Interest income

Interest income from financial assets is recognised at the effective interest rate applicable on initial recognition and is included in the 'Other income' line item except investment income earned on the temporary investment of proceeds from specific borrowings pending their expenditure on qualifying assets which is deducted from the amount of borrowing costs capitalized on such specific borrowings.

12) Accounting for foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Indian rupee (INR), which is the Group's functional and presentation currency.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at or near the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities, except for foreign currency monetary liabilities designated in hedging relationships, denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit and loss. Refer the accounting policy on hedge accounting in respect to accounting of foreign exchange gain/loss on translation/settlement relating to certain foreign currency monetary assets and liabilities designated in hedging relationships.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the consolidated statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit and loss on a net basis. Refer the accounting policy on Property, plant and equipment in respect of accounting of exchange gains and losses relating to long term foreign currency monetary items.

13) Income Taxes

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable on the taxable income for the year. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met. Current Income tax related to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity as the case may be.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax base i.e. amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, unabsorbed depreciation, deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. A deferred tax liability is recognised in respect of taxable temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss either in comprehensive income or in equity. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

14) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Apex Committee.

Identification of segments:

In accordance with Ind AS 108 *Operating Segments*, the operating segments used to present segment information are identified on the basis of information reviewed by the Group's chief operating decision maker (CODM) to allocate resources to the segments and assess their performance. An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Results of the operating segments are reviewed regularly by the Apex Committee, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

15) Leases

Leases are accounted for using the principles of recognition, measurement, presentation and disclosures as set out in Ind AS 116 *Leases*.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

On inception of a contract, the Group assesses whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to use the asset and the obligation under the lease to make payments are recognised in the Group consolidated financial statements as a Right-of-Use ('ROU') asset and a lease liability respectively.

Lease contracts may contain both lease and non-lease components. The Group allocates payments in the contract to the lease and non-lease components based on their relative stand-alone prices and applies the lease accounting model only to lease components.

The right-of-use asset recognised at lease commencement includes the amount of lease liability on initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated to a residual value over the right-of-use assets' estimated useful life or the lease term, whichever is lower. Right-of-use assets are also adjusted for any re-measurement of lease liabilities and are subject to impairment testing. Residual value is reassessed at each reporting date.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Group is reasonably certain to exercise and excludes the effect of early termination options where the Group is not reasonably certain that it will exercise the option. Minimum lease payments include the cost of a purchase option if the Group is reasonably certain it will purchase the underlying asset after the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest on lease liability and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

The Group has opted not to apply the lease accounting model to intangible assets, leases of low-value assets or leases which have a term of less than 12 months. Costs associated with these leases are recognised as an expense on a straight-line basis over the lease term.

16) Exceptional items

Items which are material by virtue of their size and nature are disclosed separately as exceptional items to ensure that financial statements allows an understanding of the underlying performance of the business in the year and to facilitate comparison with prior year.

17) Dividend

The Company recognises a liability to pay dividend to equity holders of the Company when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in other equity.

18) Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

3.1 Property, plant and equipment

	Land freehold	Right-of-use freehold	Buildings on freehold land	Buildings on leasehold land	Plant and equipment	Plant and equipment on leasehold land	Railway sidings	Leasehold improvements	Office equipment	Furniture and fixtures	Computer and peripherals	Vehicles	Total
Cost or valuation													
As at 31 March 2021	9,130	1,003	13,561	711	262,581	14,793	380	28	302	238	500	275	303,502
Additions	10	278	1,564	-	1,228	22	-	-	11	8	110	19	3,250
Deductions/remeasurement	-	(324)	-	-	(652)	(62)	-	-	(8)	(2)	(20)	(5)	(1,073)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	62	-	1,616	-	3	-	-	-	-	-	1,681
As at 31 March 2022	9,140	957	15,187	711	264,773	14,753	383	28	305	244	590	289	307,360
Additions	111	358	8,216	-	227,287	59	160	-	121	33	255	5	236,605
Deductions/remeasurement	-	(45)	-	-	(106)	(13)	-	-	(1)	-	(4)	(30)	(199)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	166	-	4,352	-	7	-	-	-	-	-	4,525
As at 31 March 2023	9,251	1,270	23,569	711	496,306	14,799	550	28	425	277	841	264	548,291
Depreciation													
As at 31 March 2021	-	367	2,783	351	49,845	4,879	136	13	202	132	278	233	59,219
Charge for the year	-	195	378	34	8,998	1,002	28	1	29	15	70	7	10,757
Deductions	-	(253)	-	-	(170)	(57)	-	-	(6)	(1)	(16)	(3)	(506)
As at 31 March 2022	-	309	3,161	385	58,673	5,824	164	14	225	146	332	237	69,470
Charge for the year	-	196	394	34	9,222	993	29	1	30	13	83	5	11,000
Deductions	-	-	-	-	(27)	(9)	-	-	(1)	-	(3)	(20)	(60)
As at 31 March 2023	-	505	3,555	419	67,868	6,808	193	15	254	159	412	222	80,410
Net Block													
As at 31 March 2022	9,140	648	12,026	326	206,100	8,929	219	14	80	98	258	52	237,890
As at 31 March 2023	9,251	765	20,014	292	428,438	7,991	357	13	171	118	429	42	467,881

Notes:

- (a) The Group has adjusted exchange loss arising on long-term foreign currency loan amounting to INR 4,525 million (31 March 2022 : loss of INR 1,681 million) to the cost of property, plant and equipment.
- (b) For changes in the carrying value of right-of-use assets (note 34).
- (c) For lien/charge against property, plant and equipment (note 11.1 and 11.2).

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

	31 March 2023	31 March 2022
3.2 Capital work in progress		
Opening balance	220,327	184,319
Add: Additions during the year	31,607	23,209
Add: Expenditure during the year		
- Employee benefits expense (note 19)	1,357	1,311
- Finance costs (note 20)	14,966	12,985
- Start up/ trial run expenses (net of revenue/ inventory produced during trial run)	17,973	-
- Depreciation and amortisation expense (note 21)	55	63
- Interest income (note 16)	(31)	(31)
- Other expenses (note 22)	3,608	1,721
Less: Assets capitalised during the year	(236,246)	(3,250)
	53,616	220,327

a) Capital work in progress ageing schedule:

Particulars	As at 31 March 2023				
	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	12,986	6,978	23,315	10,337	53,616

Particulars	As at 31 March 2022				
	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	48,595	54,161	65,356	52,215	220,327

(b) Capital work in progress completion schedule, which is overdue or has exceeded its cost compared to its original plan:

Particulars	As at 31 March 2023			
	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Major projects in progress				
Remaining value of Petrochemical project	46,505	-	-	-
Gas desulfurisation	-	56	-	-

Particulars	As at 31 March 2022			
	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Major projects in progress				
Additional oil tanks	405	-	-	-
Gas desulfurisation	-	-	56	-
Low pressure heat recovery	316	-	-	-



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

4. Intangible assets

	Software and License	Total
Cost		
As at 31 March 2021	1,444	1,444
Additions	139	139
As at 31 March 2022	1,583	1,583
Additions	149	149
As at 31 March 2023	1,732	1,732
Amortisation		
As at 31 March 2021	1,175	1,175
Charge for the year	106	106
As at 31 March 2022	1,281	1,281
Charge for the year	111	111
As at 31 March 2023	1,392	1,392
Net block		
As at 31 March 2022	302	302
As at 31 March 2023	340	340

(This space has been intentionally left blank)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

5. Financial assets

5.1 Investments

Trade investments (valued at cost unless stated otherwise)

Unquoted equity instruments

Investment in subsidiary

1,223 million (31 March 2022 : INR 1,223 million) equity shares of INR 10 each fully paid-up in HPCL-Mittal Pipelines Limited

Other investment (valued at cost unless stated otherwise)

0.01 million (31 March 2022 : INR 0.01 million) equity shares of INR 10 each fully paid-up in HPCL-Mittal Foundation*

Non-current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022

*Amounts are less than INR 0.5 million

5.2 Trade receivables (at amortised cost)

Unsecured

Trade receivables

Current	
31 March 2023	31 March 2022
22,743	35,970
22,743	35,970

The credit period for trade receivables ranges from 0 to 21 days. Of the trade receivables outstanding as at 31 March 2023 and 31 March 2022, major dues relate to receivables from a single customer which is a related party and is net of INR 16,993 million (31 March 2022 : INR 9,497 million) assigned to a bank under a factoring arrangement, without recourse to the Group (note 24). Trade Receivables as at 1 April 2021 were INR 18,696 million.

Trade receivables ageing schedule:

Particulars	31 March 2023						
	Outstanding for following periods from due date of payment						Total
	Amount Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed trade receivables – considered good	22,736	5	1	-	-	1	22,743
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed trade receivables – considered good	-	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-	-
Total	22,736	5	1	-	-	1	22,743

Particulars	31 March 2022						
	Outstanding for following periods from due date of payment						Total
	Amount Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed trade receivables – considered good	35,969	-	-	-	-	1	35,970
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed trade receivables – considered good	-	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-	-
Total	35,969	-	-	-	-	1	35,970

Unbilled dues INR Nil (31 March 2022 : INR Nil)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

5.3 Cash and cash equivalents

Balances with banks:

- On current accounts
- Deposits with original maturity of upto 3 months

Current	
31 March 2023	31 March 2022
203	229
27,421	15,583
27,624	15,812

5.4 Other bank balances

- Deposits with original maturity of upto 3 months*
- Deposits with original maturity for more than 3 months but upto 12 months*

Non-current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022
-	-	82	-
-	-	7,370	2,211
-	-	7,452	2,211

*Includes pledged with bank INR 5,294 million (31 March 2022 : INR 1,393 million)

5.5 Other financial assets

Derivative instruments at fair value

- Commodity forward contracts
- Interest rate and cross currency swap

Non-current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022
-	-	130	431
79	9	8	-
79	9	138	431

Other financial assets (at amortised cost)

- Security deposits
- Interest accrued but not due
- Others

588	575	2	2
-	-	374	78
-	-	64	165
588	575	440	245
667	584	578	676

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

6. Tax assets (net)

	Non-current	
	31 March 2023	31 March 2022
Advance income tax*	2,116	1,113
	2,116	1,113

*Net of provision for Income tax of INR Nil (31 March 2022 : INR Nil)

7. Other assets

	Non-current		Current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Capital advances	1,406	1,812	-	-
Advances other than capital advances	93	88	516	1,317
	1,499	1,900	516	1,317
Others				
Balances with statutory/government authorities*	300	296	1,746	2,138
Prepaid expenses	23	25	1,307	1,127
Export incentive receivable	-	-	1	1
	323	321	3,054	3,266
	1,822	2,221	3,570	4,583

*Includes INR 300 million (31 March 2022 : INR 296 million) paid under protest, classified as non-current.

8. Inventories

	Current	
	31 March 2023	31 March 2022
Raw materials	54,898	67,339
Work-in-progress	25,569	16,403
Finished goods	13,624	13,816
Stores and spares	10,774	7,240
	104,865	104,798

Notes:

(a) Raw materials includes stock in transit of INR 1,976 million (31 March 2022 : INR 14,623 million)

(b) The cost of inventories recognised as an expense includes INR 168 million (31 March 2022 : INR Nil) in respect of write down of inventories to net realisable values.

(c) The inventories of the Group have been pledged as securities against borrowings. (note 11.1 and 11.2)

(This space has been intentionally left blank)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

9. Equity share capital

	31 March 2023	31 March 2022
(a) Authorised (numbers in million)		
10,000 (31 March 2022 : 10,000) equity shares of INR 10 each	100,000	100,000
(b) Issued, subscribed and fully paid up (numbers in million)		
8,041 (31 March 2022 : 8,041) equity shares of INR 10 each	80,411	80,411
Total issued, subscribed and fully paid up share capital	80,411	80,411

(c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	No. million	INR million	No. million	INR million
Outstanding at the beginning of the year	8,041	80,411	8,041	80,411
Issued during the year	-	-	-	-
Outstanding at the end of the year	8,041	80,411	8,041	80,411

(d) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. The final dividend, if any, proposed by the Board of Directors will be subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Group remaining after settlement of all preferential liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(e) Details of shareholders holding more than 5% shares in the Group

	As at 31 March 2023		As at 31 March 2022	
Name of shareholders	No. million	% holding in the class	No. million	% holding in the class
Equity shares of INR 10 each fully paid				
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownership of shares.

(f) No shares have been allotted without payment of cash or by way of bonus shares during the period of five years immediately preceding the balance sheet date.

(g) Details of shareholdings of Promoters in the Company:

	As at 31 March 2023		As at 31 March 2022		
Name of promoters	No. million	% of total shares	No. million	% of total shares	% Change
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%	-
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%	-

10. Other equity

	31 March 2023	31 March 2022
Retained earnings	70,435	31,079
Debenture redemption reserve	2,049	2,676
Other Comprehensive Income:		
-Cash flow hedge reserve	(4,957)	(2,310)
	67,527	31,445

Retained Earnings: Retained earnings is the amount that can be distributed by the Company as dividends to its equity shareholders subject to the requirements of the Companies Act, 2013.

Debenture redemption reserve: The Group pursuant to the provisions of section 71(4) of the Companies Act, 2013 read alongwith the Companies (Share Capital and Debentures) Amendment Rules, 2019 notified on 16 August 2019, has created a debenture redemption reserve on Non-Convertible Debentures.

Cash flow Hedge Reserve: Represents the cumulative effective portion of gains or losses arising on changes in fair value of designated hedging instruments entered into for cash flow hedges. The cumulative gain or loss on such changes are recognised through Other Comprehensive Income (OCI) and accumulated under this reserve. Such gains or losses will be reclassified to statement of profit and loss in the period in which the hedged item occurs/affects statement of profit and loss or on termination of the hedge.



HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

11. Financial Liabilities
11.1 Borrowings (at amortised cost)
Debentures (Secured)

Non-Convertible debentures (refer 'a')

Foreign currency redeemable bonds (Unsecured)

Senior notes (refer 'b')

Term loans (Secured)

Indian rupee loan from banks (refer 'c')

Foreign currency loan from banks (refer 'd', 'e', 'f' 'j')

Term loans (Unsecured)

Indian rupee loan from banks (refer 'g')

Foreign currency loan from banks (refer 'h')

Indian rupee loan from Government of Punjab (refer 'i')

The above amount includes

Secured borrowings

Unsecured borrowings

Less: Amount disclosed under the head 'Borrowings' (note 11.2)

Net amount

	Non-current		Current maturities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Non-Convertible debentures (refer 'a')	19,786	19,742	-	5,089
Foreign currency redeemable bonds (Unsecured)				
Senior notes (refer 'b')	55,043	50,609	-	-
Term loans (Secured)				
Indian rupee loan from banks (refer 'c')	79,202	97,483	-	-
Foreign currency loan from banks (refer 'd', 'e', 'f' 'j')	138,437	141,685	1,334	613
Term loans (Unsecured)				
Indian rupee loan from banks (refer 'g')	16,000	-	-	-
Foreign currency loan from banks (refer 'h')	15,559	14,861	-	-
Indian rupee loan from Government of Punjab (refer 'i')	4,787	5,382	6,191	4,928
	328,814	329,762	7,525	10,630
The above amount includes				
Secured borrowings	237,425	258,910	1,334	5,702
Unsecured borrowings	91,389	70,852	6,191	4,928
Less: Amount disclosed under the head 'Borrowings' (note 11.2)	-	-	(7,525)	(10,630)
Net amount	328,814	329,762	-	-

Notes:

With respect to loans taken by HPCL-Mittal Energy Limited (HMEI):

(a) (i) 10,000 (31 March 2022 : 10,000) Redeemable 9.18% Non-Convertible Debentures (NCDs) of INR 1 million each fully paid up, equivalent to INR 10,000 million (31 March 2022 : INR 10,000 million), inclusive of unamortised ancillary borrowing cost of INR 165 million (31 March 2022 : INR 189 million) were allotted at par on 28 February 2020. These are secured by first pari-passu charge on Fixed Assets (Property, plant and equipment) except the assets pertaining to the petrochemical project of the Company to the extent of 1.25 times of the issue size. These NCDs are repayable at the end of 10 years from the date of issuance. The interest rate of such NCDs is 9.18%.

(a) (ii) 10,000 (31 March 2022 : 10,000) Redeemable 7.15% Non-Convertible Debentures (NCDs) of INR 1 million each fully paid up, equivalent to INR 10,000 million (31 March 2022 : INR 10,000 million), inclusive of unamortised ancillary borrowing cost of INR 49 million (31 March 2022 : INR 69 million) were allotted at par on 3 September 2020. These are secured by subordinated / residual charge on the fixed assets (Property, plant and equipment) of the Company. These NCDs are repayable at the end of 5 years from the date of issuance. The interest rate of such NCDs is 7.15%.

(b) (i) US Dollar 5.25% redeemable notes, equivalent to INR 30,561 million (31 March 2022 : INR 28,092 million), net of unamortised ancillary borrowing cost of INR 270 million (31 March 2022 : INR 336 million) were issued at par on 28 April 2017 and are repayable in April 2027. The interest rate of these notes is 5.25%.

(b) (ii) US Dollar 5.45% redeemable notes, equivalent to INR 24,482 million (31 March 2022 : INR 22,517 million), net of unamortised ancillary borrowing cost of INR 183 million (31 March 2022 : INR 225 million) were issued at par on 22 October 2019 and are repayable in October 2026. The interest rate of these notes is 5.45%.

(c) (i) Indian rupee loan of INR 8,000 million (31 March 2022 : INR 10,000 million) inclusive of unamortised ancillary borrowing cost of INR 1 million (31 March 2022 : INR 1 million), outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and current assets of the Company except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 3 annual instalments starting from June 2029. The loan carries interest rate of 8.55% p.a.

(c) (ii) Indian rupee loan of INR 320 million (31 March 2022 : INR 12,000 million), inclusive of unamortised ancillary borrowing cost of INR 1 million (31 March 2022 : INR 1 million) outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and current assets except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 3 structured annual instalments starting from December 2029. The loan carries interest rate of 7.40% p.a.

(c) (iii) Indian rupee loan of INR 7,000 million (31 March 2022 : INR Nil), outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) of the Company. The loan is repayable in 13 structured quarterly instalments starting from March 2030. The loan carries interest rate of 8.10% p.a.

(c) (iv) Indian rupee loans of INR 63,990 million (31 March 2022 : INR 58,919 million), inclusive of unamortised ancillary borrowing cost of INR 106 million (31 March 2022 : INR 138 million), are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The loans are repayable in 35 structured quarterly instalments starting from December 2024. The loans carry an interest rate of 8.7% p.a.

(d) Foreign currency loan from banks equivalent to INR 51,952 million (31 March 2022 : INR 55,341 million) inclusive of unamortised ancillary borrowing cost of INR 27 million (31 March 2022 : INR 40 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. The outstanding loan are repayable as under:

(i) INR 33,694 million is repayable in 16 variable quarterly instalments starting from June 2024 and carries interest rate of 3 month SOFR plus spread of 185 bps.

(ii) INR 18,258 million is repayable in 11 variable quarterly instalments starting from June 2024 and carries interest rate of 3 month SOFR plus spread of 185 bps.

(e) Foreign currency loan from banks equivalent to INR 50,799 million (31 March 2022 : INR 32,812 million) inclusive of unamortised ancillary borrowing cost of INR 702 million (31 March 2022 : INR 486 million) secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The outstanding loan are repayable as under:

(1) INR 25,488 million is repayable in 18 variable half yearly instalments starting from December 2023 and carries interest rate of 3 month SOFR plus spread of 210 bps.

(2) INR 10,098 million is repayable in 35 variable quarterly instalments starting from December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.

(3) INR 15,212 million is repayable in 17 variable quarterly instalments starting from June 2024 and carries interest rate of 3 month SOFR plus spread of 190 bps.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

(f) (i) Foreign currency loan of INR 11,484 million (31 March 2022 : INR 11,371 million) inclusive of unamortised ancillary borrowing cost of INR 6 million (31 March 2022 : INR 7 million) are secured by first pari-passu charge on fixed assets (property, plant and equipment) except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 8 variable half yearly instalments starting from September 2026. The loans carry an interest rate of 3 month SOFR plus spread of 185 bps.

(f) (ii) Foreign currency loan of INR 9,245 million is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and current assets except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 3 structured annual instalments starting from December 2029. The loan carries interest rate of 3 month SOFR plus spread of 190 bps.

(f) (iii) Foreign currency loan of INR 3,026 million (31 March 2022 : INR Nil), outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) of the Company. The loan is repayable in 13 structured quarterly instalments starting from September 2029. The loan carries interest rate of 3 month SOFR plus spread of 185 bps.

(g) Unsecured Indian rupee loan of INR 16,000 million (31 March 2022: INR Nil) is repayable in April 2024. The loan carries an interest rate of 8.00% p.a.

(h) (i) Unsecured foreign currency loan equivalent to INR 7,465 million (31 March 2022 : INR 7,398 million) is repayable in 6 variable semi annual instalments starting from April 2025. The loan carries an interest rate of 3 month SOFR plus spread of 200 bps.

(h) (ii) Unsecured foreign currency loan equivalent to INR 8,094 million (31 March 2022 : INR 7,463 million) is repayable in September 2027. The loan carries an interest rate of 3 month SOFR plus spread of 200 bps.

The above loans (i) and (ii) are backed by a Letter of Comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited, to the extent of INR 15,000 million (31 March 2022 : INR 14,950 million).

(i) Loan from Punjab Government is interest free and is repayable in bullet instalments commencing after 66 months from the dates of disbursal. Amount is due to be paid back to Punjab Government w.e.f. April 2019. The said loan was initially measured at fair value using a rate of interest of 11% p.a. Also refer note 29.

With respect to loans taken by HPCL-Mittal Pipelines Limited (HMPL):

(j) Foreign currency loan from banks equivalent to INR 14,101 million (31 March 2022 : INR 17,549 million), inclusive of unamortised ancillary borrowing cost of INR 101 million (31 March 2022 : INR 176 million) are secured by a mortgage and first charge, ranking pari-passu amongst the lenders, over all movable and immovable properties and assets of the Company, both present and future, save and except current assets (except deposits and accounts under the Trust and Retention Account Agreement) on which working capital lenders (if any) would have a first charge, and these lenders have a second charge. The loan carries an interest rate of 1 month LIBOR plus spread of 162 bps. The loan is repayable in variable instalments uptill March 2026.

(k) All the above loans are secured by guarantee given by the holding company, for which guarantee commission of 1% p.a. (31 March 2022 : 1% p.a.) is paid on the debt outstanding at the year end.

11.2 Borrowings

Foreign currency loan from banks (secured) (refer 'a')
Foreign currency loan from banks (unsecured) (refer 'b')
Indian rupee loan from banks (secured) (refer 'c')
Indian rupee loan from banks (unsecured) (refer 'd')
Current maturities of long-term borrowings (note 11.1)

	31 March 2023	31 March 2022
Foreign currency loan from banks (secured) (refer 'a')	11,440	-
Foreign currency loan from banks (unsecured) (refer 'b')	4,576	-
Indian rupee loan from banks (secured) (refer 'c')	8,949	500
Indian rupee loan from banks (unsecured) (refer 'd')	28,000	-
Current maturities of long-term borrowings (note 11.1)	7,525	10,630
	60,490	11,130

Notes:

With respect to loans taken by HPCL-Mittal Energy Limited (HMEL):

(a) Foreign currency loan of INR 11,440 million (31 March 2022 : INR Nil) is secured by first pari-passu charge on current assets of the company except on the assets pertaining to the petrochemical project of the Company. The loan carries an interest rate of 5.44% - 5.47% p.a.

(b) Foreign currency loan of INR 4,576 million (31 March 2022 : INR Nil) carries an interest rate of 5.12%.

(c) (i) Indian rupee loan of INR 4,949 million (31 March 2022 : INR 500 million) is secured by charge on fixed deposit. The loan carries an interest rate of 7.3% p.a.

(c) (ii) Indian rupee loan of INR 4,000 million (31 March 2022 : INR Nil) is secured by first pari-passu charge on current assets of the company except on the assets pertaining to the petrochemical project of the Company. The loan carries an interest rate of 7.4% p.a.

(d) Indian rupee loan of INR 28,000 million (31 March 2022 : INR Nil) carries an interest rate of 7.5% p.a.

There were no defaults in payments and compliance of covenants in respect of above borrowings (note 11.1 and note 11.2).

11.3 Reconciliation of liabilities arising from financing activities

The table below give details of changes in the Group's liabilities arising from financing activities including both cash and non-cash changes

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Non-current	Current	Non-current	Current
Balance at the beginning	340,392	500	328,254	157
Net additions/(repayments)	(17,545)	52,479	6,251	343
Other movements*	13,492	(14)	5,887	-
Balance at the end	336,339	52,965	340,392	500

Note: Non-current borrowing also includes current maturities.

*Other movements includes foreign exchange loss/(gain), ancillary costs of arranging the borrowings and premium accrued on debentures.



HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

11.4 Trade payables

Total outstanding dues of micro enterprises and small enterprises
Total outstanding dues of creditors other than micro enterprises and small enterprises
Trade payables*
Acceptances**

Non-current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022
-	-	168	108
-	-	53,161	83,971
-	-	5,376	10,571
-	-	58,705	94,650

*Majority of trade payables relate to crude oil purchases having a minimum interest free credit period of 30 days. The Company has financial risk management policies in place to ensure all payables are paid within the agreed credit term.

**Represents the amount payable to the supplier of raw material, wherein the supplier has extended the credit period from 30 days to 120 days against irrevocable letter of credit for which the Company bears the financing charge. As per arrangement, the Company will settle its obligations with the supplier's bank.

Refer note 26 for explanations on the Group's liquidity risk management processes.

Trade payables ageing schedule:

Particulars	31 March 2023						
	Unbilled	Not due	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Micro, Small and Medium Enterprises ('MSME')	15	153	-	-	-	-	168
(ii) Others	665	52,066	383	-	-	-	53,114
(iii) Disputed dues- MSME	-	-	-	-	-	-	-
(iv) Disputed dues- Others	-	-	-	-	-	47	47
Total	680	52,219	383	-	-	47	53,329

Particulars	31 March 2022						
	Unbilled	Not due	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Micro, Small and Medium Enterprises ("MSME")	11	97	-	-	-	-	108
(ii) Others	671	83,165	88	-	-	-	83,924
(iii) Disputed dues- MSME	-	-	-	-	-	-	-
(iv) Disputed dues- Others	-	-	-	-	-	47	47
Total	682	83,262	88	-	-	47	84,079

11.5 Other financial liabilities

Financial liabilities at fair value
Commodity forward contracts
Foreign exchange forward contracts
Interest rate and cross currency swap

Non-Current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022
-	-	352	1,656
-	43	101	108
699	507	136	91
699	550	589	1,855

Other financial liabilities at amortised cost

Security deposits received
Commodity hedging payable
Liability towards project vendors*
Liability towards exploration activities**
Interest accrued but not due on borrowings
Deferred payment liabilities (note 29)

-	-	547	375
-	-	569	1,689
3,559	10,115	13,621	18,311
-	-	210	210
-	-	3,605	2,740
14,389	7,236	-	-
17,948	17,351	18,552	23,325
18,647	17,901	19,141	25,180

*Non-current portion represents the amount payable to the supplier of capital goods wherein credit period is from 882 days to 1080 days against irrevocable letter of credit for which the Company bears the financing charge.

**Represents the Company's obligation towards the finished minimum work programme for its participating interest in relinquished domestic E&P block(s) Rajasthan-basin.

Refer note 26 for details regarding the nature and extent of risks arising from financial instruments to which the Group is exposed at the end of the reporting year.



HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

12. Provisions

Provision for employee benefits
 Provision for gratuity (note 28.2)
 Provision for compensated absences

Other provisions

Provision towards project vendors (refer 'a')
 Provision towards potential claims (refer 'b')

Non-current		Current	
31 March 2023	31 March 2022	31 March 2023	31 March 2022
-	-	162	6
313	203	87	58
313	203	249	64
-	-	4,597	111
864	937	-	-
864	937	4,597	111
1,177	1,140	4,846	175

Notes:

(a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2022 of INR 111 million has increased by additional provision of INR 4,581 million (net of advance of INR 978 million) and reduced by INR 95 million on account of settlement with the vendors during the year.

(b) The Company has made provision for potential claims that may arise upon final settlement of some of the Company's dues. The opening provision of INR 937 million as on 1 April 2022 has decreased due to unwinding of discount of INR 73 million.

13. Deferred tax liabilities (net)

Deferred tax liabilities (net)

31 March 2023	31 March 2022
26,866	16,023
26,866	16,023

13.1 Deferred tax charge/(credit) recognised in the consolidated statement of profit and loss

in the consolidated statement of profit and loss

11,752 28,312

Other comprehensive income

in the consolidated statement of other comprehensive income

Net loss/(gain) on remeasurement of defined benefit plans

(18) 18

Net loss/(gain) on effective portion of cash flow hedges

(891) (257)

Minimum Alternate Tax ('MAT') reclassified to Tax assets for financial year 2020-21

- 156

13.2 Reconciliation of effective tax rate (tax expense and the accounting profit multiplied by India's domestic tax rate)

Profit before tax

60,738 40,888

Statutory income tax rate of 25.877% (31 March 2022 : 26.274%)

15,717 10,743

Tax effect of:

-Corporate social responsibility expenses

70 31

-Remeasurement of deferred tax balances (note 13.4)

(3,965) 4,722

-MAT credit written off (note 13.4)

- 12,867

-Others

(5) 16

11,817 28,379

Statutory tax rate for capital gains of 23.296% (31 March 2022 : 23.296%)

(65) (67)

Difference between book value and indexed cost of land

(65) (67)

Total income tax charged

11,752 28,312

Effective income tax rate

19.349% 69.243%

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

13.3 Composition of deferred tax balances

	31 March 2023	31 March 2022
Deferred tax liabilities		
Property, plant and equipment	46,802	41,862
Gross deferred tax liabilities	46,802	41,862
Deferred tax assets		
Derivative contracts	1,855	1,196
Inventory of spares	459	210
Lease liabilities	202	163
Unabsorbed depreciation	16,564	18,769
Carried forward tax losses	-	5,306
Unrealised profits on intragroup transactions	77	59
Employee benefits obligation	142	67
Others	637	69
Gross deferred tax assets	19,936	25,839
Net deferred tax liabilities	26,866	16,023

Note:

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets, current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

13.4 Adoption of new tax regime

The Company had exercised the option under section 115BAA of the Income Tax Act, 1961 while filing return of income tax for the financial year ended 31 March 2021 and recorded deferred tax balances pursuant to the same in consolidated financial statements for the year ended 31 March 2022 based on its best judgements and estimates. The assessment for 31 March 2021 has now been completed and consequential adjustments have been recorded in the current year's financial statements.

14. Other liabilities

	Non-current		Current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Advance from customers	-	-	799	878
Statutory dues payable	-	-	5,975	7,518
Government incentives*	17,509	8,542	1,563	1,084
Total other liabilities	17,509	8,542	8,337	9,480

*Movement in government incentives

	31 March 2023	31 March 2022
At the beginning of the year	9,626	3,458
Received during the year	10,536	6,908
Released to the consolidated statement of profit and loss (note 20)	(1,090)	(740)
At the end of the year	19,072	9,626

a) The Government of Punjab has granted an interest free loan and deferment in payment of Central Sales Tax (CST) liability (note 29), to the Company. The difference between the actual proceeds and fair value of the loan/CST liability, has been treated as government incentives INR 16,269 million (31 March 2022 : INR 9,626 million) and is recognised in the consolidated statement of profit and loss over the period of loan/period of deferment of CST liability.

b) It also includes government assistance of INR 2,803 million (31 March 2022 : INR Nil) in the form of the duty benefit availed under Export Promotion Capital Goods (EPCG) Scheme on purchase of property plant and equipments accounted for as government grant and will be released to consolidated statement of profit and loss as and when exports are undertaken.

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

15. Revenue from operations

	31 March 2023	31 March 2022
Sale of products (including excise duty)		
Finished goods	961,506	895,512
	961,506	895,512

Sale of products include excise duty collected from customers of INR 181,102 million (31 March 2022 : INR 304,460 million) and is net of hedging expense of INR 141 million (31 March 2022 : INR Nil) recycled to the designated sales on being getting executed as hedged item.

Disaggregation of revenue

Below table summarises the disaggregated revenue from contracts with customers:

Product wise category	31 March 2023	31 March 2022
Solid products	72,657	72,273
Liquid products	890,169	823,239
Revenue from contract with customers	962,826	895,512
Less: Sales during trial run	(1,179)	-
Revenue from operations	961,647	895,512

Contract balances

Contract liabilities include advances received against delivery of goods and rebates payable under supply agreement with the customer. The outstanding balance of contract liabilities as on 31 March 2023 was INR 779 million (31 March 2022 : INR 878 million) and 1 April 2021 INR 467 million. Revenue recognised during the current year out of contract liabilities outstanding at the beginning of the year is INR 738 million (31 March 2022 : INR 411 million). Management expects that the entire transaction price allocated to the unsatisfied contracts at the end of the year will be recognised as revenue during the next year.

Reconciliation of the amount of revenue from contract with customers with the contracted price

	31 March 2023	31 March 2022
Revenue as per contracted price	965,762	897,568
Adjustments		
- Discount and incentives	(2,936)	(2,056)
Revenue from contract with customers	962,826	895,512
Less: Sales during trial run	(1,179)	-
Revenue from operations	961,647	895,512

Performance obligation

The Group's performance obligation is satisfied at a point in time, as and when the goods are delivered as per the terms agreed with the customer.

16. Other income

	31 March 2023	31 March 2022
(a) Interest income on financial assets carried at amortised cost		
Bank deposits	753	344
Deposits and others	31	94
(b) Other non-operating income		
Liability towards vendors no longer required written back	1	14
Miscellaneous income	585	501
(c) Other gains and losses		
Foreign exchange difference (net)	-	6
	1,370	959
Less: Transferred to capital work in progress (note 3.2)	(31)	(31)
	1,339	928



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

17. Cost of raw materials consumed

	31 March 2023	31 March 2022
Inventory at the beginning of the year	67,339	29,703
Add: Purchases	673,107	554,494
Less: Inventory at the end of the year	(54,898)	(67,339)
	685,548	516,858
Less: Transferred to capital work in progress	(20,875)	-
	664,673	516,858

Note: Includes material consumed of INR 21,121 million (31 March 2022 : INR 19,413 million) as fuel for in house power and steam generation.

18. Changes in inventories of finished goods and work-in-progress

		31 March 2023	31 March 2022
Inventories at the beginning of the year			
-Work-in-progress		16,403	10,489
-Finished goods		13,816	14,388
	(A)	30,219	24,877
Inventories at the end of the year			
-Work-in-progress		25,569	16,403
-Finished goods		13,624	13,816
	(B)	39,193	30,219
	(A-B)	(8,974)	(5,342)
Less: Inventory produced during trial run		(1,723)	-
Net (increase)/decrease in inventories		(7,251)	(5,342)

19. Employee benefits expense

	31 March 2023	31 March 2022
Salaries, wages and bonus	4,747	4,328
Contribution to provident fund (note 28.1)	247	232
Gratuity expense (note 28.2)	92	79
Compensated absences	163	73
Staff welfare expenses	358	273
	5,607	4,985
Less: Transferred to capital work in progress (note 3.2)	(1,357)	(1,311)
	4,250	3,674

20. Finance costs

	31 March 2023	31 March 2022
Interest cost*	24,448	19,416
Exchange difference to the extent considered as an adjustment to borrowing cost	4,262	3,294
Bank charges	316	306
Interest rate swap - settlement	208	742
Unwinding of discount on long term provisions	(72)	(40)
	29,162	23,718
Less: Transferred to capital work in progress (note 3.2)	(14,966)	(12,985)
Less: Government incentives (note 14)	(1,090)	(740)
	13,106	9,993

*Includes interest on lease liability of INR 60 million (31 March 2022 : INR 54 million).



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

21. Depreciation and amortisation expense

	31 March 2023	31 March 2022
Depreciation of property, plant and equipment* (note 3.1)	11,000	10,757
Amortisation of intangible assets (note 4)	112	106
	11,112	10,863
Less: Transferred to capital work in progress (note 3.2)	(55)	(63)
	11,057	10,800

*Includes depreciation on right-of-use assets of INR 196 million (31 March 2022 : INR 195 million).

22. Other expenses

	31 March 2023	31 March 2022
Consumption of chemicals, stores and spares	4,359	3,813
Power and fuel	4,402	2,523
Repairs and maintenance		
-Buildings	38	11
-Plant and machinery	1,441	1,331
-Others	388	357
Facility maintenance	410	396
Professional and consultancy fees (refer 'a')	264	175
Rent (note 34)	39	59
Commission on sales	214	207
Rates and taxes	25	29
Insurance	1,509	920
Travel and conveyance	334	214
Sales promotion expenses	33	2
Freight outward	619	613
Goods and Service Tax (GST) reversal on exempted finished goods	976	943
Increase/(decrease) of excise duty on inventories	(408)	(3,407)
Fair value loss on derivative contracts (net)	7,183	6,024
Loss on sale/discard of property, plant and equipment/capital work in progress (net)	654	482
Corporate social responsibility ('CSR') expenditure (refer 'b')	272	126
Foreign exchange differences (net)	13,506	786
Miscellaneous expenses	2,520	1,226
	38,778	16,830
Less: Transferred to capital work in progress (note 3.2)	(3,608)	(1,721)
	35,170	15,109

a) Details of remuneration to auditors included under professional and consultancy fees

	31 March 2023	31 March 2022
-Fee for statutory audit	9	11
-Fee for limited review	5	5
-Fee for certifications	1	1
-Other services	-	*
-Out of pocket expenses	1	1
	16	18

*Amounts are less than INR 0.5 million

(This space has been intentionally left blank)



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

b) Details of Corporate social responsibility expenditure	31 March 2023	31 March 2022
1. Amount required to be spent by the Group during the year	272	126
2. Amount spent during the year:		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	275	147
3. Amount transferred to Unspent CSR Account	-	-
4. Excess amount spent during the financial year	3	21
5. Set Off available for succeeding financial years	3	21
6. Nature of CSR activities	Promoting healthcare and education, livelihood enhancement, empowering women, disaster management, COVID-19 relief, protection of art & culture and rural development projects	

Note: Out of the aforementioned amount of INR 275 million (31 March 2022 : INR 147 million), an amount of INR 160 million (31 March 2022 : INR 31 million) has been contributed by the Group to HPCL-Mittal Foundation ('HMF') in relation to CSR expenditure.

7. Movement of provision made during the financial year for 'CSR Unspent amount' and a liability incurred by entering into a contractual obligation:

	31 March 2023	31 March 2022
Opening balance	-	29
Additions during the year	-	-
Utilisation during the year	-	(29)
Closing balance	-	-

23. Earnings per share (EPS)

The following reflects the profit and equity shares data used in the basic and diluted EPS computations:

	31 March 2023	31 March 2022
Profit attributable to equity share holders for basic and diluted earnings (A)	48,986	12,576
Weighted average number of equity shares for basic and diluted EPS (B)	8,041	8,041
Nominal value per equity share (in INR)	10	10
Basic and Diluted earnings per share (in INR) (A/B)	6.09	1.56

(This space has been intentionally left blank)



24. Related party disclosures

24.1 Related parties : Nature of relationship

Nature of relationship	Name of related parties
Joint venture companies having significant influence	Hindustan Petroleum Corporation Limited (HPCL)
	Mittal Energy Investments Pte Limited (MEI)
Enterprise Significantly influenced by individuals who have significant influence over the Group	LNM Institute of Information Technology ('LNMIIT')

24.2 Transactions with related parties

Particulars	Joint venture companies having significant influence				Key management personnel	
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		31 March 2023	31 March 2022
Transactions during the year	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Allocation of expenses	165	190	-	-	-	-
Purchase of goods	1,350	1,314	-	-	-	-
Purchase of services	128	99	-	-	-	-
Sale of goods (inclusive of taxes)	924,483	860,084	-	-	-	-
Interim dividend paid during the year	4,999	3,000	4,999	3,000	-	-
Sales of spares	-	2	-	-	-	-
Remuneration paid to key managerial personnel:						
(i) short-term employment benefits	-	-	-	-	198	181
(ii) post-employment benefits	-	-	-	-	7	7
(iii) other long term benefits	-	-	-	-	16	10
(iv) sitting fees	-	-	-	-	1	1

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Key management personnel	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Balance outstanding						
Trade receivables (note 5.2)	38,739	35,512	-	-	-	-
Other financial assets - others	13	16	-	-	-	-
Trade payables	56	68	-	-	-	-

Notes:

(a) The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

(b) HPCL and MEI have issued letters of comfort for loans taken by the Group as described in note 11.1

(c) For the year ended 31 March 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period.

(d) Government of India (GOI), is also a related party as Hindustan Petroleum Corporation Limited (HPCL) who is a joint venturer of the Group and subsidiary of Oil and Natural Gas Corporation Limited, is a Government related entity. The Group deals on regular basis with entities directly or indirectly controlled by the central/state governments through its government authorities, agencies, affiliations and other organisations and entered into transactions including but not limited to purchase and sale of goods and services (including capital goods), telephone expenses, air travel, fuel purchase and deposits etc. and availed loans and paid/accrued interest on the same with various GOI related entities. These transactions are conducted in the ordinary course of business on arms-length basis and are insignificant individually and collectively and hence not disclosed.

(e) Refer note 22(b) for the transactions entered with HPCL-Mittal Foundation, a non-profit organisation incorporated under Section 8 of the Companies Act 2013, wholly owned by the Company.

(f) An amount of less than INR 0.5 million was paid to LNMIIT towards fees for training in FY 2022-23.

(This space has been intentionally left blank)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

25. Financial Instruments

a) Classification of each category of financial instruments, their carrying amounts and fair value

Particulars	31 March 2023				
	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets					
Trade receivables	-	-	22,743	22,743	22,743
Cash and cash equivalents	-	-	27,624	27,624	27,624
Other bank balances	-	-	7,452	7,452	7,452
Other financial assets (current)	-	138	440	578	578
Other financial assets (non-current)	-	79	588	667	667
Total Financial assets	-	217	58,847	59,064	59,064
Financial liabilities					
Borrowings (current)	-	-	53,022	53,022	52,966
Borrowings (non-current)*	-	-	339,807	339,807	340,607
Lease liabilities (current)	-	-	211	211	211
Lease liabilities (non-current)	-	-	593	593	593
Trade payables	-	-	58,716	58,716	58,749
Derivative liabilities not designated as cash flow hedge	-	452	-	452	452
Derivative liabilities designated as cash flow hedge	834	-	-	834	834
Other financial liabilities (current)	-	-	14,947	14,947	14,947
Other financial liabilities (non-current)	-	-	18,017	18,017	16,196
Total Financial liabilities	834	452	485,313	486,599	485,555

Particulars	31 March 2022				
	Fair value through OCI	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets					
Trade receivables	-	-	35,970	35,970	35,970
Cash and cash equivalents	-	-	15,812	15,812	15,812
Other bank balances	-	-	2,211	2,211	2,211
Other financial assets (current)	-	431	245	676	676
Other financial assets (non-current)	-	9	575	584	584
Total Financial assets	-	440	54,813	55,253	55,253
Financial liabilities					
Borrowings (current)	-	-	500	500	502
Borrowings (non-current)*	-	-	342,956	342,956	354,977
Lease liabilities (current)	-	-	88	88	88
Lease liabilities (non-current)	-	-	560	560	587
Trade payables	-	-	94,658	94,658	94,653
Derivative liabilities not designated as cash flow hedge	-	1,807	-	1,807	1,807
Derivative liabilities designated as cash flow hedge	597	-	-	597	597
Other financial liabilities (current)	-	-	20,585	20,585	20,585
Other financial liabilities (non-current)	-	-	17,518	17,518	17,563
Total Financial liabilities	597	1,807	476,865	479,269	491,359

*Includes current maturities and interest accrued but not due on non-current borrowings.

(a) The carrying amounts of all the financial instruments mentioned in the table above except borrowings, lease liabilities and certain derivatives included in other financial assets and other financial liabilities are considered to be the same as their fair values.

(b) The fair value of the derivative financial instruments have been derived using the valuation techniques since these are not traded in the active market. These instruments are classified as level 2 fair values in the fair value hierarchy.

(c) The fair values of non-current borrowings and lease liabilities are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

(This space has been intentionally left blank)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

b) The following table gives details of the level wise hierarchy of the financial instruments that are recognised and measured at fair value through profit or loss

	31 March 2023			31 March 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets - current						
Other financial assets (derivative assets)	-	138	-	-	431	-
Financial assets - non current						
Other financial assets (derivative assets)	-	79	-	-	9	-
Financial liabilities - current						
Other financial liabilities (derivative liability)	-	589	-	-	1,855	-
Financial liabilities - non current						
Other financial liabilities (derivative liability)	-	699	-	-	550	-

c) Foreign currency liability/cross currency swap contracts

- i) the Company has designated certain financial liabilities in foreign currency (disclosed under borrowings) as cash flow hedges against highly probable dollarised future forecasted sales. Such designation helps the Company to cover the foreign currency risk to set off the impact of foreign exchange rate movement on highly probable dollarised forecasted sales.
- ii) the Company has also entered into cross currency swap contracts (fair value disclosed under other financial liabilities) to cover the foreign currency risk to set off the impact of foreign exchange rate movement on highly probable dollarised forecasted sales with a cross currency swap.

The following table details the foreign currency liability and cross currency swap contracts outstanding at the end of the year:

Designated as cash flow hedges

Sell USD	Notional amounts (USD million)	
	31 March 2023	31 March 2022
Less than 1 year	-	26
1 year to 2 years	-	26
2 years to 5 years	550	267
Beyond 5 years	139	427
Total	689	746

Foreign currency liability restated at closing exchange rate and debit balance of cash flow hedge reserve of INR 6,372 million as at 31 March 2023 (31 March 2022 : INR 2,931 million) being mark to market have been recognised in other comprehensive income. Ineffective portion amounting to INR 1,566 million (31 March 2022 : INR 644 million) have been included in 'foreign exchange differences (net)' under 'Other expense' during the year.

Debit balance of cash flow hedge reserve of INR 687 million as at 31 March 2023 (31 March 2022 : INR 337 million) on cross currency swap contracts have been recognised in other comprehensive income. There was no ineffective portion on these contracts as at 31 March 2023 and 31 March 2022.

d) Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate loan.

Certain interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. On payment of interest, the proportionate amount accumulated in OCI is reclassified to profit or loss. The following tables detail the nominal amounts of interest rate swap contracts outstanding at the end of the year:

Designated as cash flow hedges

Outstanding contracts (floating to fixed)

Particulars	Notional amounts (USD million)	
	31 March 2023	31 March 2022
Less than 1 year	121	148
1 year to 2 years	36	99
2 years to 5 years	-	109
Total	157	356

The fair value of interest rate swap contracts are disclosed under other financial assets and other financial liabilities.

Credit balance of cash flow hedge reserve of INR 432 million as at 31 March 2023 (31 March 2022 : credit balance of INR 181 million) on interest rate swap contracts have been recognised in other comprehensive income. Ineffective portion amounting to INR 252 million (31 March 2022 : INR 527 million) have been included in 'fair value loss on derivative contracts (net)' under 'Other expenses' during the year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

26. Financial risk management

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Enterprise Risk Management Committee (ERMC), Financial Risk Management Committee (FRMC) and Commodity Risk Management Committee (CRMC), which are responsible for developing and monitoring the Group's risk management policies. The ERMC/FRMC/CRMC comprises of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and some other senior executives of the Group.

ERMC/FRMC/CRMC guides the concerned department in decision about risks to be hedged, hedging strategies to be adopted and the execution methodologies to be followed.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's activities expose it to market risk, liquidity risk and credit risk. These risks are actively measured, monitored and managed to abide by the principles of corporate governance.

(a) Credit risk

The Group controls its own exposure to credit risk. All external customers undergo a creditworthiness check. The Group performs an on-going assessment and monitoring of the financial position and the risk of default. Based on the aforesaid checks, monitoring and historical data, the Group does not perceive any significant credit risk on trade receivables.

As at 31 March 2023, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2022 : more than 90%) of the trade receivables are from a single customer which is a Government Company and a related party as well. In respect to the bank deposits, the Company limits its exposure by dealing with creditworthy and reputable banks.

In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. The Group primarily has banking relationships with the public sector, private and large international banks with good credit rating.

The maximum exposure to the credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5.

(b) Liquidity risk

The Group has mature liquidity risk management processes covering short-term, mid-term and long-term funding. Liquidity risk is controlled through maintaining sufficient reserves, adequate amount of committed credit facilities and loan funds. Management regularly monitors projected and actual cash flow information, analyses the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures coupled with rolling cash flow forecasts.

The contractual maturities of Group's financial liabilities are presented below:-

31 March 2023	Contractual cash flows				
	< 1 year	1 < 4 years	4 < 9 years	> 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	35,100	190,824	222,819	25,600	474,343
Borrowings (current)	55,002	-	-	-	55,002
Trade payable	58,768	-	-	-	58,768
Other financial liabilities	15,435	5,711	9,834	17,702	48,682
Payments for leases (note 34)	265	476	234	-	975
Derivative financial liabilities	589	699	-	-	1,288

31 March 2022	Contractual cash flows				
	< 1 year	1 < 4 years	4 < 9 years	> 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	30,540	154,616	224,130	32,198	441,484
Borrowings (current)	502	-	-	-	502
Trade payable	94,660	-	-	-	94,660
Other financial liabilities	21,736	10,364	5,037	10,073	47,210
Payments for leases (note 34)	137	373	341	-	851
Derivative financial liabilities	1,855	550	-	-	2,405

*Includes current maturities, interest accrued but not due on non-current borrowings and future interest obligations.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to different types of market risks. The market risk is the possibility that changes foreign currency exchange rates, interest rates and commodity prices which may affect the value of the Group's financial assets, liabilities or expected future cash flows.

The fair value information presented below is based on the information available with the management as of the reporting date.

(c.1) Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The risk of fluctuations in foreign currency exchange rates on its financial liabilities including borrowing, trade and other payable etc., are mitigated through the natural hedge alignment on bulk of its revenue, as Group's major products net prices are predominantly linked to US dollars and such economic exposure provides natural alignment. The effects of exchange rate fluctuations in US Dollar/INR are absorbed through revenue generation linked to the currency movement. The Group also uses exchange contracts to hedge its currency risk. The Group does not use derivative financial instruments for trading or speculative purposes.

The foreign currency exchange management policy is to minimize economic and transactional exposures arising from currency movements against the US dollar, Euro and Japanese Yen. The Group manages the risk by netting off naturally-occurring opposite exposures wherever possible, and then dealing with any material residual foreign currency exchange risks if any.

A reasonably possible strengthening/weakening of the Indian Rupee against such foreign currency as at 31 March 2023 would have affected profit or loss and other equity by the amounts shown below. This would not impact the profit and loss entirely as certain portion of foreign exchange loss/(gain) is being added/(deducted) to/from the value of property, plant and equipment. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

1% movement	Profit before tax for the year ended 31 March 2023		Profit before tax for the year ended 31 March 2022	
	Strengthening	Weakening	Strengthening	Weakening
USD	3,191	(3,191)	3,462	(3,462)
JPY	6	(6)	37	(37)
EURO	6	(6)	13	(13)
	3,203	(3,203)	3,512	(3,512)

(c.2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Long term borrowings, short term borrowings, acceptances and long term deposits carrying floating interest rates expose the Group to interest rate risk arising from the possible movement of variable elements of the overall interest rate. Interest rate swaps are utilized to manage the interest rate exposure of the debt based on Group's policy.

If the interest rates applicable to floating rate instruments is increased/decreased by 1%, the profit before tax for the year ended for 31 March 2023 would decrease/increase by INR 1,660 million (31 March 2022 : INR 2,546 million). This assumes that the amount and mix of fixed and floating rate debt (net of interest rate swap) remains unchanged during the year from that in place as at year end and that the change in interest rates is effective from the beginning of the year.

(This space has been intentionally left blank)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

(c.3) Commodity price risk

The Company is exposed to market risks related to price volatility of crude oil and sale price of its refined products. The Company uses commodity derivative instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase of crude oil and sale of products. Commodity derivatives are used exclusively as risk management tool to safeguard the price basis risk on purchase of crude oil on different benchmark basis, price timing mismatches on crude oil and product pricing mismatches and safeguard product margins on sale of refined products besides protecting the inventory valuations. The Company employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. As on 31 March 2023 some of these hedging positions on benchmark mismatches (basis swaps) & product crack hedge remained open to be settled at a later date. As per policy, all the derivative positions undertaken are settled on maturity.

The impact of increase or decrease by \$1/bbl on open hedges as on 31 March 2023 in the statement of profit and loss assuming all other variables remain constant is as under:

Increase by \$1/bbl in Dated Brent Dubai differential would result in profit of INR 374 million (31 March 2022 : INR Nil)
 Increase by \$1/bbl in ICE Brent Dubai differential would result in profit of INR 95 million (31 March 2022 : INR 155 million)
 Increase by \$1/bbl in Dubai Time spread would result in profit of INR 82 million (31 March 2022 : Loss of INR 61 million)

Above would have a reverse impact on decrease by \$1/bbl on open hedges

The impact of increase or decrease would be offset by the changes in physical sales/purchase and revenue/cost except for inventory which is only for valuation purposes and will not have any compensating cash flow from physicals.

27. Capital management

The Group's capital management objectives are to ensure its ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders.

The Group manages its capital structure and makes adjustments to it as and when required. To maintain or adjust the capital structure, the Group may pay dividend or repay debts, raise new debt or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2023 and 31 March 2022.

The Group capital consists of equity attributable to equity holders that includes equity share capital, other equity and long term borrowings.

	31 March 2023	31 March 2022
Equity share capital and other equity	147,938	111,856
Borrowings considered as equity* (note 11.1)	15,000	14,861
Total equity (a)	162,938	126,717
Non-current borrowings (b)**	321,339	325,531
Total capital (c) = (a) + (b)	484,277	452,248
Long term borrowings (b) / Total capital (c)	66%	72%

*Borrowings backed by letter of comfort from Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investments Pte Limited (MEI) have been treated as equity by the lenders and hence excluded from long term borrowings for the purpose of computing above ratio.

**Includes current maturities of non-current borrowings.

In order to achieve the overall objective, the Group capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest bearing borrowings in the current year.

(This space has been intentionally left blank)



28. Employee benefits expenses**28.1 Defined contribution plan**

The Group makes contribution towards provident fund for employees. The Group's contribution to the Employees Provident Fund is deposited to the government under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. During the year, the Group has recognised INR 247 million (31 March 2022 : INR 232 million) in the consolidated statement of profit and loss.

28.2 Gratuity

The Group has a defined benefit gratuity plan as per the provision of the Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service, gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. Group has created a fund with insurance companies in the form of a qualifying insurance policy, to cover the entire liability.

The following tables summarize the components of net benefit expense recognised in the consolidated statement of profit and loss, the funded status and amounts recognised in the balance sheet for the gratuity plans.

(i) Expenses recognised under employee benefits expense**(a) Expense recognized in the consolidated statement of profit and loss**

Particulars	31 March 2023	31 March 2022
Current service cost	91	80
Net interest expenses	1	(1)
Amount to be recognised in the consolidated statement of profit and loss	92	79

(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2023	31 March 2022
Return on plan assets (excluding interest income)	(37)	41
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	63	(13)
- From changes in financial assumptions	54	(61)
- From changes in experience adjustments	(9)	(23)
Amount to be recognized in the consolidated statement of other comprehensive income	71	(56)

(ii) Plan assets/(liability)

Particulars	31 March 2023	31 March 2022
Present value of defined benefit obligation	865	686
Fair value of plan assets	703	680
Plan assets/(liability)	(162)	(6)

Note: The Group is maintaining a fund with the insurance companies to meet its gratuity liability. The present value of the plan assets represents the balance available with the insurance companies as at the end of the year as certified by them.

Changes in the present value of the defined benefit obligation are as follows:

Particulars	31 March 2023	31 March 2022
Opening defined benefit obligation	686	680
Current service cost	91	80
Interest cost	49	45
Benefits paid	(69)	(21)
Actuarial (gain)/loss on obligation		
- Actuarial (gain)/loss - demographic assumptions	63	(12)
- Actuarial (gain)/loss - financial assumptions	54	(62)
- Actuarial (gain)/loss - experience adjustments	(9)	(24)
Closing defined benefit obligation	865	686

Changes in the fair value of plan assets are as follows:

Particulars	31 March 2023	31 March 2022
Opening fair value of plan assets	680	695
Expected return	85	4
Contributions by employer	7	1
Benefits paid	(69)	(20)
Closing fair value of plan assets	703	680



(iii) The principal assumptions used in determining gratuity benefit obligations for the Group's plans are shown below:

Particulars	31 March 2023	31 March 2022
Discount rate	7.33%	7.16%
Future salary increase	8.58%	6.33%
Attrition rate		
- Up to 30 years	14.50%	6.31%
- From 31 to 44 years	11.00%	3.48%
- Above 44 years	5.00%	5.29%
Mortality rates inclusive of provision for disability (Indian Assured Lives Mortality)	100% (2012-14)	100% (2012-14)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Sensitivities due to mortality and withdrawals are not material and hence the impact of change due to these is not disclosed.

(iv) A quantitative sensitivity analysis of the changes in the defined benefit obligation due to changes in significant assumption as at 31 March 2023 is as shown below:

Assumptions	Sensitivity Level	31 March 2023	31 March 2022
Discount rate	0.5 % increase	(27)	(29)
	0.5 % decrease	29	32
Future salary increases	0.5 % increase	12	16
	0.5 % decrease	(12)	(16)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Consolidated Balance Sheet.

The method and types of assumptions used in the preparing the sensitivity analysis did not change compared to the prior period.

(v) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31 March 2023	31 March 2022
Investment with insurer	100%	100%

The Group contributes all ascertained liabilities towards gratuity in insurer managed funds.

(vi) Risk exposure

The Group is exposed to the following risk:

a) Interest rate risk: The defined benefit obligation is calculated using the discount rate based on government bonds. If bond yields fall the defined benefit obligation will tend to increase.

b) Salary inflation risk: The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of the participant in future. Deviation in the rate of increase of salary is future for plan participants from the rate of increase in salary used to determine the present value of obligation will have bearing on the plan's liability.

c) Mortality rate: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(vii) The Group expects to contribute INR 162 million (31 March 2022 : INR 98 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2023	31 March 2022
0 to 1 year	128	83
1 to 2 year	78	37
2 to 3 year	67	35
3 to 4 year	65	32
4 to 5 year	58	35
5 to 6 year	53	32
6 year onwards	416	432

(ix) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 8.31 years (31 March 2022 : 13.29 years) of HMEL and 9.44 years (31 March 2022 : 15.30 years) of HMPL.

Note: The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment, received Presidential assent in September 2020. The Code has been published in the Gazette of India, however, the date on which the Code will come into effect is yet to be notified. The Group will assess the impact when Code and rules thereon will be notified and will record any related impact in the period the Code and rules thereon becomes effective.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

29. Settlement of deferred sales tax loan

As per the provisions of the Deed of Assurance (DoA) dated 12 August 2005, signed by the Company with the Government of Punjab (GoP), the Company is entitled for the deferment of Central Sales Tax (CST) for a period of 15 years from the date of commercial production i.e. 3 December 2011, a date which has been recognised and approved by the Empowered Committee of GoP. The deferment of CST is allowed to the extent of 300% of fixed capital investment. The deferred CST is repayable, free of interest, from 16th year onwards in 30 half-yearly instalments. Punjab VAT Act, 2005 vide notification no. S.O. 21/P.O.5/2005/S, 92/2005 dated 6 April 2005 ('Punjab VAT notification'), also prescribed mechanism for payment of deferred CST liability on a net present value basis.

As per the provisions of the DoA, the Company is also entitled to an Interest Free Loan (IFL) of INR 12,500 million which was to be disbursed by GoP in equal monthly instalments over a 5 year period starting from the date of commencement of commercial production. Further, as per the terms of the DoA, in the event of non-payment of IFL, the Company is eligible to unilaterally adjust the undisbursed loan amount in subsequent month from its sales tax dues or such other payment due to GoP. During the year ended 31 March 2015, the GoP disbursed INR 100 million as IFL against the entitled limit of INR 12,500 million. Accordingly, the Company exercised its unilateral right for adjustment undisbursed IFL from the dues to the government and settled the deferred CST liabilities at net present value after adjusting the same with undisbursed IFL of INR 12,400 million.

Till 26 December 2020, the Company based on the legal opinions has settled the CST liability of INR 59,137 million for a Net Present Value (NPV) of INR 12,400 million by discounting the gross CST liability using an appropriate interest rate for adjustment with undisbursed IFL of INR 12,400 million. Consequentially, a cumulative gain of INR 46,140 million (net of provision amounting to INR 597 Million) has been accounted for in the books of accounts (31 March 2022 : INR 46,140 million) in earlier years.

Subsequent to the adjustment of net present value of deferred CST with undisbursed IFL of INR 12,400 million, the Company has deferred CST liabilities of INR 29,503 million (31 March 2022 : INR 15,110 million) pertaining to the period thereafter in accordance with the terms of the DoA. The initial fair value of the deferred CST liabilities has been classified as deferred payment liabilities amounting to INR 14,389 million (31 March 2022 : INR 7,236 million) under note 11.5 and the differential between the initial fair value of the deferred payment liabilities and the amount collected amounting to INR 15,114 million (31 March 2022 : INR 7,874 million) has been included in 'Other liabilities' under note 14.

During the financial year 2022-23, the Company has received assessment orders for financial year 2016-17 dated 16 March 2022 under Punjab Value Added Tax Act, 2005 (Assessment orders for financial year 2014-15 and 2015-16 dated 7 September 2021 and 23 December 2021 respectively were received in previous year 2021-22) wherein the excise and taxation department has held that Company has wrongly adjusted the undisbursed IFL with the CST liability as per DoA and is liable to pay deferred CST collected upon expiry of period of deferment. On 25 April 2022, the Company has filed appeal for financial year 2016-17 (appeal for financial year 2014-15 and 2015-16 were filed on 30 March 2022) before The Deputy Excise and Taxation Commissioner (Appeals) against the aforementioned orders of assessing officer on the ground that the Company has a unilateral right to adjust the net present value of deferred CST liability with the undisbursed IFL as per the terms of DoA. Accordingly, the CST liability got discharged upon adjustment of net present value of deferred CST liability with undisbursed IFL and the Company is not liable to pay the already settled deferred CST of INR 59,137 million (31 March 2022 : INR 59,137 million) upon expiry of the deferment period.

The GoP, through a notification dated 7 January 2022, has constituted a committee to look into the settlement of IFL. As per the notification, the Committee was required to submit its report by 31 March 2022 to GoP. There is no progress in this matter till date.

30. Commitments**(a) Capital commitment**

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 9,699 million (31 March 2022 : INR 20,313 million), net of advances amounting to INR 1,406 million (31 March 2022 : INR 1,812 million).

(b) Other commitments

Apart from the commitments disclosed above, the Group has no major financial commitments other than those in the nature of regular business operations.

31. Segment reporting

The Group is engaged in only one segment i.e. 'Refining of crude oil' and hence there is no separate reportable segment as per Ind AS 108 'Operating segments'.

Geographical segment

The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue and certain asset information regarding the Group's geographical segments:

Particulars	Non-current operating assets		Revenue	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
India	521,837	458,519	961,506	895,512
Outside India	-	-	-	-
	521,837	458,519	961,506	895,512

Note: Non-current operating assets includes property, plant and equipment, intangible assets (net of depreciation and amortisation cost) and capital work in progress.

Revenue of INR 902,578 million (31 March 2022 : INR 835,380 million) in the crude oil refining segment is from a single customer. No other single customer contributed to ten percent or more to the Group's revenue for the year ended 31 March 2023 and 31 March 2022.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

32. Contingent liabilities

Claims against the Group not acknowledged as debt

S.No.	Particulars	31 March 2023	31 March 2022
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation	226	226
3.	Claims raised by project vendors	2,785	2,785
4.	Penal demand raised by income tax department	17	17
5.	Demand for service tax /Punjab infrastructure development fund (PIDF) and penalty raised by service tax department	297	289
6.	Disallowance of cenvat credit of Excise/Service tax and GST including interest and penalty by department	1,485	1,339

Note: Excludes statutory interest which is subject to final order.

Based on a review of the legal position, the management believes that it is possible, but not probable, that the demands mentioned above will arise and accordingly no provision for any liability has been made in these consolidated financial statements.

The Group has outstanding demand in relation to excise duty on intermix product (including penalty) amounting to INR 9,097 million till FY 2022-23. The Group has received favourable order in previous year amounting to INR 1,214 million. Both the parties have filed an appeal before Customs, Excise and service tax Appellate Tribunal ('CESTAT'), Chandigarh which is yet to be heard as at 31 March 2023.

As the Group has received a favourable order from Principal Commissioner-CGST Ludhiana though further litigated by the department, wherein department has reversed its own stand and there are favourable orders of CESTAT in case of other oil industry companies, the Group expects favorable outcome in its pending matter before CESTAT, Chandigarh. Hence it is highly probable that demand mentioned above will not materialize. Therefore, no provision for liability has been made in these consolidated financial statements.

33. Relationship with struck off companies

There is no transaction and outstanding balance with struck off companies during the year and as at 31 March 2023 and 31 March 2022.

34. Leases

The following are the carrying amounts of right-of-use assets recognised and movement during the year ended 31 March 2023 and 31 March 2022:

Particulars	Class of right-of-use assets			Total
	Land	Buildings	Plant and equipment	
As at 1 April 2021	440	196	-	636
Additions	-	179	99	278
Deductions/remeasurement	-	(71)	-	(71)
Depreciation expense	(46)	(64)	(85)	(195)
As at 31 March 2022	394	240	14	648
Additions	-	8	350	358
Deductions/remeasurement	(37)	(8)	-	(45)
Depreciation expense	(42)	(60)	(94)	(196)
As at 31 March 2023	315	180	270	765

The following are the carrying amounts of lease liabilities and movement during the year ended 31 March 2023 and 31 March 2022:

Particulars	31 March 2023	31 March 2022
As at 1 April	648	607
Additions during the year	358	272
Interest expense on lease liability	60	54
Deductions/remeasurement during the year	(45)	(81)
Payment of lease liabilities	(217)	(204)
As at 31 March	804	648

The contractual maturities of lease liabilities are disclosed in note 26.

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due. Rent expense recorded for short-term and low value leases has been included under other expenses.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2023

(All amounts are in million Indian Rupees, unless otherwise stated)

35. Interim dividend

The Board of Directors of the Company at their meeting held on 13 March 2023, declared an interim dividend of INR 1.269 per equity share (31 March 2022 : INR 0.7616 per equity share) for financial year 2022-23 (nominal value of INR 10 each), that resulted in total dividend outgo of INR 10,204 million (31 March 2022 : INR 6,124 million).

36. Summary of the financial information of the subsidiary of the Company included in these consolidated financial statements as required under form AOC-1 of the Companies Act 2013 is as under (without considering intra group elimination):

Particulars	31 March 2023	31 March 2022
Share capital	12,230	12,230
Other equity	1,866	2,363
Total assets	34,571	42,186
Total liabilities	20,475	27,593
Revenue from operations	11,361	11,656
Profit before taxation	1,632	3,096
Tax expense	418	806
Profit after taxation	1,214	2,290
% of shareholding	100%	100%

37. Additional statutory information in respect of the components of the Group

Particulars	Net Assets/(Liabilities) (total assets minus total liabilities)			
	31 March 2023		31 March 2022	
	Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated net assets/(liabilities)
HMEL	146,301	99	109,673	98
HMPL	14,096	9	14,593	13
Sub Total	160,397	108	124,266	111
Elimination*	(12,459)	(8)	(12,410)	(11)
Consolidated	147,938	100	111,856	100

Particulars	Share in total comprehensive income			
	31 March 2023		31 March 2022	
	Amount	As % of consolidated profit/(loss)	Amount	As % of consolidated profit/(loss)
HMEL	46,830	101	10,729	95
HMPL	1,215	3	2,291	20
Sub Total	48,045	104	13,020	115
Elimination*	(1,759)	(4)	(1,747)	(15)
Consolidated	46,286	100	11,273	100

*Adjustments for intra group transaction and/or balances

38. The financial statements for the comparative period as at and for the year ended 31 March 2022 were audited by the predecessor auditor of the Group. Previous year's figures have been regrouped/ reclassified wherever necessary.

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
Firm Registration No. 301003E/E300005

per Naman Agarwal
Partner
Membership No. 502405



For and on behalf of the Board of Directors
HPCL-Mittal Energy Limited

Rajan Tandon
Director
DIN 01968916

Place: Mumbai

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 24 April 2023

Rajneesh Narang
Director
DIN 08188549

Place: Mumbai



Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

Place: Gurugram
Date: 24 April 2023