

INDEPENDENT AUDITOR'S REPORT

To The Members of HPCL-Mittal Energy Limited Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HPCL-Mittal Energy Limited ("the Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information, which includes a joint operation accounted on proportionate basis.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, and their consolidated loss, their consolidated total comprehensive loss, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated 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 (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	Settlement of deferred central sales tax liabilities (Refer Notes 2(f) and 29 to the consolidated financial statements): As per its entitlement, the Group has been adjusting the interest free loan (IFL) with net present value of deferred central sales tax (CST) liabilities, which is computed by applying judgements in relation to the adjustment and the basis of computation of net present value of CST and hence it is considered as a key audit matter.	Principal audit procedures performed: • reviewed the relevant terms of the Deed of Assurance (DoA) and the legal opinions obtained by the Group; • considered the competence, independence and objectivity of the management's experts (legal advisers); • verified the basis and mathematical accuracy of the computation of the net present value of the CST liability based on the terms of the DoA and the legal opinions; and • reviewed the correspondence with relevant departments and assessed the implications, if any on the computation of the liability.
2	Recognition of deferred tax assets (Refer Notes 2(f)(vi) and 6.4 to the consolidated financial statements): The Group has recognised net deferred tax assets (DTA) on carry forward tax losses, unabsorbed depreciation and is carrying minimum alternate tax (MAT) assets on the basis of estimated future profits and its timing against which tax deductions represented by the DTAs can be offset. The assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment and hence it is considered as a key audit matter.	Principal audit procedures performed: • evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the current tax and deferred tax computations; • assessed the reasonability and consistency of the assumptions considered by the management in preparation of the underlying projections and the reliability of the process by which the estimates were calculated, by assessing the reasons for differences between projected and actual performances; • verified the applicable tax rates taken into account for recognition of deferred tax assets; and • assessed the remaining duration of MAT credit and carry forward tax losses and the opportunities for utilisation of deferred tax assets pertaining to MAT credit and carry forward tax losses against the future taxable profits.

Sr. No.	Key Audit Matter	Auditor's Response
3	Uncertain tax position - Indirect taxes (Included in Note 33 to the consolidated financial statements): The Group has material uncertain tax positions (indirect taxes) including matters under dispute which involves significant judgments to determine the possible outcome of these disputes and hence it is considered as a key audit matter.	Principal audit procedure performed: - evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the tax litigation matters; - obtained confirmation from management's expert of the Group for the possible outcome of the outstanding cases relating to indirect tax; - considered the competence, independence and objectivity of the management's expert involved; and - involved our internal indirect tax specialist to challenge the underlying assumptions in estimating the possible outcome of the disputes. Our internal indirect tax specialist also considered the legal precedence and other rulings in evaluating management's position on these uncertain tax positions.

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

The Parent'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 financial statements, standalone 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 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our 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 shall communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.



Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. 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 the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 financial statements by the Directors of the Parent, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system 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 the 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and its subsidiary included in the consolidated 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public 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

We did not audit the total liabilities amounting to INR 229 million as at March 31, 2020 and exploration costs written off of INR 1 million for the year ended March 31, 2020 included in these consolidated financial statements in respect to the past joint operation not operated by the Group. These unaudited account balances have been compiled and certified by the management based on the unaudited information provided by the operator and have not been subjected to audit by independent auditors. Our opinion on the consolidated financial statements, in so far as it relates to the amounts included in respect of the past joint operation, is based solely on such unaudited account balances. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated 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 Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Parent and its subsidiary as on March 31, 2020 taken on record by the Board of Directors of the Parent and its subsidiary, none of the directors of the Group, is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent and its subsidiary. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.



- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Group to its directors during the year is in accordance with the provisions of section 197 of 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 financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
- ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



Jitendra Agarwal
Partner
(Membership No.87104)
UDIN: 20087104AAAACQ9077

Place: New Delhi
Date: June 09, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 financial statements of the Group as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of the Parent and its subsidiary which is incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent and its subsidiary, which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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) (the "Guidance Note"). 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 internal financial controls over financial reporting of the Parent and its subsidiary, which is incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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



Deloitte Haskins & Sells LLP

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 system over financial reporting of the Parent and its subsidiary, which is incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

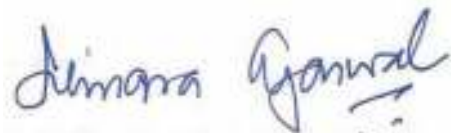
Opinion

In our opinion to the best of our information and according to the explanations given to us the Parent and its subsidiary, which is incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2020, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W- 100018)



Jitendra Agarwal

Partner

(Membership No. 87104)

UDIN: 20087104AAAACQ9077

Place: New Delhi

Date: June 09, 2020

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2020

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

Particulars	Notes	31 March 2020	31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	238,245	230,359
Capital work in progress	3.2	138,903	68,321
Intangible assets	4	213	223
Financial assets			
Loans	5.2	535	311
Other financial assets	5.7	-	1,347
Deferred tax assets (net)	6.1	15,238	9,338
Tax assets (net)	7	1,060	935
Other non-current assets	8	2,869	8,083
		397,863	318,917
Current assets			
Inventories	9	52,732	67,766
Financial assets			
Investments	5.4	-	1,817
Trade receivables	5.5	4,804	25,651
Cash and cash equivalents	5.6	16,813	1,476
Other bank balances	5.3	6,598	45
Loans	5.2	2	-
Other financial assets	5.7	1,302	452
Other current assets	8	9,003	1,567
		91,314	98,774
TOTAL ASSETS		489,177	417,691
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	80,411	80,411
Other equity		19,722	25,087
		100,133	105,498
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	11.1	279,907	211,722
Other financial liabilities	11.5	23,413	1,300
Provisions	12	1,395	1,180
Deferred tax liabilities (net)	6.2	2,438	2,023
Other non-current liabilities	13	1,873	3,486
		309,026	219,711
Current liabilities			
Financial liabilities			
Borrowings	11.2	8,173	18,611
Trade payables	11.4	-	-
Total outstanding dues of micro enterprises and small enterprises		49	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		51,053	60,309
Other financial liabilities	11.5	14,748	8,409
Other current liabilities	13	5,425	4,066
Provisions	12	570	337
Current tax liabilities (net)	14	-	750
		80,018	92,482
TOTAL EQUITY AND LIABILITIES		489,177	417,691

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

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered AccountantsJitendra Agarwal
PartnerFor and on behalf of the Board of Directors
HPCL-Mittal Energy LimitedM. K. Surana
Chairman
DIN 07464675Rajiv Tandon
Director
DIN 01968916Prabin Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Place: London

Place: Noida

Harak Banthia
Chief Financial OfficerSiddhartha Tyagi
Company Secretary
Membership No. A 14544Place: Noida
Date: 9 June 2020Place: New Delhi
Date: 9 June 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020
(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2020	31 March 2019
Income			
Revenue from operations	15	580,053	623,780
Other Income	16	7,470	7,655
Total Income		587,523	631,435
Expenses			
Cost of raw materials consumed	17	387,554	416,140
(Increase)/decrease in inventories	18	(6,642)	(3,024)
Excise duty on sale of goods		158,403	151,501
Employee benefits expense	19	3,357	3,217
Finance costs	22	13,051	13,399
Depreciation and amortisation expense	21	11,317	12,110
Other expenses	20	21,095	18,840
Exploration costs written off		1	11
Total expenses		588,136	612,194
Profit/(loss) before exceptional items and tax		(613)	19,241
Exceptional items	9	2,383	-
Profit/(loss) before tax		(2,996)	19,241
Tax expense			
Current tax (Minimum alternate tax)		-	4,110
Deferred tax charge/(credit)		(2,340)	449
Total tax expense/(credit)	6	(2,340)	4,559
Profit/(loss) for the year		(656)	14,682
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Re-measurement gain/(loss) on defined benefit obligations		(40)	(75)
Income tax impact	6	13	26
		(27)	(49)
Items that will be reclassified to profit and loss			
Net gain/(loss) on effective portion of cash flow hedges		(5,304)	-
Income tax impact	6	1,853	-
		(3,451)	-
Total other comprehensive income/(loss) for the year		(3,478)	(49)
Total comprehensive income/(loss) for the year		(4,134)	14,633
Earnings/(loss) per equity share in INR computed on the basis of profit/(loss) for the year	23		
Basic		(0.08)	1.83
Diluted		(0.08)	1.83

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

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Jitendra Agarwal
Jitendra Agarwal
Partner



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

M. K. Surana
M. K. Surana
Chairman
DIN 07464675

Rajin Tandon
Rajin Tandon
Director
DIN 01968916

Prabh Das
Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Place: London

Place: Noida

Harak Banthia
Harak Banthia
Chief Financial Officer



Sidhartha Tyagi
Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 9 June 2020

Place: Noida
Date: 9 June 2020

Place: Noida

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020
(All amounts are in million Indian Rupees, unless otherwise stated)

(a) Equity share capital

	No. million	INR million
As at 31 March 2018	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2019	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2020	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debt Redemption Reserve	Cash Flow Hedge Reserve	Total
As at 31 March 2018	7,819	3,865		11,684
Profit for the year	14,682			14,682
Other comprehensive income/(loss) for the year - Remeasurement of defined benefit liability (net of tax)	(49)			(49)
Transfer from retained earnings (note 30)	(314)	314		-
Final Dividend paid for financial year 2017-18	(1,020)			(1,020)
Dividend distribution tax on dividend paid	(210)			(210)
As at 31 March 2019	20,908	4,179		25,087
Profit/(loss) for the year	(656)			(656)
Other comprehensive income/(loss) for the year - Effective portion of cash flow hedges (net of tax)			(3,451)	(3,451)
Other comprehensive income/(loss) for the year - Remeasurement of defined benefit liability (net of tax)	(27)			(27)
Transfer from retained earnings (note 30)	2,237	(2,237)		-
Final dividend paid for financial year 2018-19	(1,021)			(1,021)
Dividend distribution tax on dividend paid	(210)			(210)
As at 31 March 2020	21,231	1,942	(3,451)	19,722

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

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Jitendra Agarwal
Partner



Place: New Delhi
Date: 9 June 2020

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

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Place: Mumbai

Place: London

Harak Banthia
Chief Financial Officer

Place: Noida
Date: 9 June 2020

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Noida

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: Noida



HPCL-MITTAL ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

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

Particulars	Notes	31 March 2020	31 March 2019
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(2,996)	19,241
Adjustments for:			
Unrealized foreign exchange loss/(gain) (net)		4,614	(211)
Unrealized loss/(gain) on currency derivative contracts (net)		645	(18)
Unrealized loss/(gain) on commodity derivative contracts (net)		598	(145)
Finance costs		10,509	9,659
Depreciation and amortisation expense		11,317	12,110
Exploration costs written off		1	11
Interest Income		(508)	(55)
Gain on sale of current investments (net)		(13)	(94)
Tax on exceptional items		(1,279)	-
Exchange difference to the extent considered as an adjustment to borrowing cost		2,321	3,469
Loss on discard of property plant and equipment		216	185
Liability towards vendors no longer required written back		(52)	(10)
Operating profit before working capital changes		25,373	44,142
Movements in working capital:			
(Increase)/decrease in inventories		15,067	(1,788)
(Increase)/decrease in trade receivables		20,787	(5,219)
(Increase)/decrease in loans		(237)	(94)
(Increase)/decrease in other financial assets		(334)	(720)
(Increase)/decrease in other assets		(7,558)	4,208
Increase/(decrease) in trade payables		(11,306)	11,205
Increase/(decrease) in other financial liabilities		(114)	281
Increase/(decrease) in provisions		(396)	(58)
Increase/(decrease) in other liabilities		1,252	(4,283)
Cash generated from operations		42,534	47,674
Direct tax paid (net of refund)		(1,676)	(3,371)
Net cash generated from operating activities (A)		40,858	44,303
B CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(47,120)	(60,298)
Payments for exploration activities		-	(8)
Proceeds from short term mutual funds		107,350	349,744
Investment in short term mutual funds		(105,504)	(351,467)
Investment in fixed deposits		(6,622)	(61)
Proceeds from maturity of fixed deposits		68	444
Interest received		203	55
Net cash used in investing activities (B)		(51,625)	(61,591)



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020
(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2020	31 March 2019
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	11.3	116,283	79,764
Repayment of non-current borrowings	11.3	(55,791)	(42,128)
Proceeds from current borrowings	11.3	442,116	312,466
Repayment of current borrowings	11.3	(452,763)	(316,222)
Repayment of lease liabilities		(94)	-
Dividend paid (including dividend distribution tax)		(1,231)	(1,230)
Borrowing costs paid			
- Interest		(20,196)	(11,961)
- Others		(2,220)	(1,992)
Net cash generated from financing activities		26,104	18,697
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		15,337	1,409
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,476	67
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		16,813	1,476

Notes:

- (i) The consolidated statement 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 5.6) are as under:

Balances with scheduled banks		
-On current accounts	468	171
-Deposits with original maturity of upto 3 months	16,345	1,305
Cash and cash equivalents (note 5.6)	16,813	1,476

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

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Jitendra Agarwal
Partner



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

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Place: London

Place: Noida

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: Noida
Date: 9 June 2020

Place: Noida



Place: New Delhi
Date: 9 June 2020

HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

(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 9 June 2020.

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.

Effective April 1, 2016, the Group has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 *First time adoption of Indian Accounting Standards*, with 1 April 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Refer (b) below for certain amendments to the standards which are effective for annual periods beginning on or after 1 April 2019.

The consolidated financial statements are presented in INR and all values are rounded to the nearest million except when otherwise indicated.

(b) New and amended standards and interpretations

The Group applied for the first time following amendment to the Ind AS which are effective for annual periods beginning on or after 1 April 2019. The nature and the impact of the amendment is described below:

(i) New Ind AS effective 1 April 2019

Ind AS 116 Leases

Ind AS 116 *Leases*, issued on 30 March 2019 has replaced Ind AS 17 *Leases*, and related interpretations and sets out the principles for recognition, measurement, presentation and disclosure of leases and requires a lessee to recognise assets and liabilities for all leases. Ind AS 116, as a practical expedient, allows entities not to apply the standard to leases with a term upto 12 months and also, to leases of low value underlying asset. Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset over the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term using the interest rate implicit in the lease or in case such rate is not determinable, using the incremental borrowing rate.

The Group has adopted Ind AS 116 using modified retrospective approach and accordingly, the comparatives as at and for the year ended 31 March 2019 have not been restated basis the exemption available in the standard. The cumulative effect of initial application of Ind AS



116 has been accounted as on the date of initial application i.e. 1 April 2019 by recognising right-of-use asset with a corresponding lease liability.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying Ind AS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets') and leases of intangible assets.

(ii) Amendment to other Ind AS effective 1 April 2019

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. This amendment does not have any impact on consolidated financial statements of the Group, since the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. This amendment does not have any material impact on the consolidated financial statements of the Group.

Ind AS 109 Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment does not have any material impact on the consolidated financial statements of the Group.

Ind AS 19 Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. This amendment does not have any material impact on the consolidated financial statements of the Group.

Ind AS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Since the Group's current practice is in line with these amendments, accordingly this amendment does not have any impact on the consolidated financial statements of the Group.

Ind AS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies Ind AS 109 *Financial Instruments*, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group does not currently have any long-term interests in associates and joint ventures.



Ind AS 103 Business Combinations and Ind AS 111 Joint Arrangements

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. This amendment does not have any impact on the consolidated financial statements of the Group.

(c) Basis and principles of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2020. 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 2020.

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

(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) Historical cost convention

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(h)(4) for accounting policy regarding financial instruments.

(e) Functional and presentation currency

The consolidated financial statements have been prepared and presented in INR, which is the Group functional currency. All financial information presented in INR has been rounded to the nearest million. Refer note 2(h)(12) for accounting policy in respect of accounting for foreign currency transactions.

(f) 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 affected 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 gain arising to the Group consequent to its decision to settle the deferred central sales tax liability on a net present value basis and convert resultant amount into an Interest free loan from Government of Punjab (GoP), 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.

i) Estimation of uncertainties relating to global health pandemic from COVID 19

In this unprecedented situation caused by COVID-19, our planning to mitigate the impact as far as possible is in place and is currently working well to ensure business continuity across all functions. Our operations being considered as essential services and specifically exempted from the lock down. Due to lower demand for the petroleum products during the lockdown period, we have been operating at a lesser capacity. Further, the prices of our petroleum products are impacted because of abnormal disruptions in the prices of oil and gas in the world markets. These price fluctuations will no doubt enhance volatility in our operating and financial results in the short



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

term but we believe that being a low cost and highly efficient refiner and managing our capital spending optimally, we will get over present challenges. The board remains confident in the long-term prospects of the Group.

The Group has assessed the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of Property, plant and equipment, Inventories, Receivables and other assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these consolidated financial statements has used internal and external sources of information on the expected future performance of the Group. The Group has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The assessment of COVID-19 on the Group's consolidated financial statements may differ in future periods from the estimates as at the date of approval of these consolidated financial statements.

ii) Useful lives of 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.

iii) Recoverable amount of property, plant and equipment

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.

iv) Post-retirement benefit plans

Employee benefit obligation (gratuity) are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

v) Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities recorded in the consolidated balance sheet in respect of which quoted prices in active markets are available are measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

vi) Recognition of Deferred tax asset

Judgements are involved in determining the provision for income taxes based on tax regime chosen by the Company, including amount expected to be paid/recovered for uncertain tax positions. Further in assessing the realisability of deferred income tax assets, management considers that the ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities and projected future taxable income in making this assessment. The amount of the deferred income tax assets considered realisable, however, can change in future if estimates of taxable income during the carry forward period will change.

(g) 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;
- 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;



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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- 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.

(h) 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.

The Group has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

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.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

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 Equipments	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.

Spare parts, 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 represents computer software only 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.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

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.

(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.

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 standalone 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 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.



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

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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.

Scrap: Scrap is valued at net realizable value.

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 2020

(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 2020

(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.

The obligations are presented as current liabilities in the balance sheet as the Group does not have an unconditional legal and contractual right to defer settlement for a period beyond twelve months after the reporting period.

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 it satisfies the performance obligation by transferring promised goods or services to customers at amount that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services.

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.

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 2020

(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 of 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 or receivable on the taxable income or loss for the year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received 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 outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

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 bases/amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, deductible temporary differences and Minimum Alternative Tax (MAT) credit available, to the extent that it is probable that future taxable profits will be available against which they can be utilized (and in case of MAT, during the specified period, i.e., the period for which MAT credit is allowed to be carried forward). 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.

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 realised simultaneously.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

15) Leases

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

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 asset and a lease liability.

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.

Lease payments are presented as follows in the Group's statement of cash flows:

- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- payments for the interest element of recognised lease liabilities are included in 'Interest paid' within cash flows from financing activities; and
- payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

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) 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.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

3.1 Property, plant and equipment

	Land freehold	Right-of-use	Buildings on freehold land	Buildings on leasehold land	Plant and equipment	Plant and equipment on leasehold land	Railway sidings	Leasehold improvements	Office equipments	Furniture and fixtures	Computer and peripherals	Vehicles	Total
Cost or valuation													
As at 31 March 2018	8,111	-	8,967	676	232,018	12,467	367	17	196	166	314	297	263,596
Additions	496	-	1,282	-	4,026	78	-	11	35	27	59	9	6,023
Disposals	-	-	(45)	-	(129)	(118)	-	-	-	-	-	(3)	(295)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	169	22	4,930	364	7	-	-	-	-	-	5,492
As at 31 March 2019	8,607	-	10,373	698	240,845	12,791	374	28	231	193	373	303	274,816
Additions	208	1,003	595	3	11,739	137	-	-	30	15	145	1	13,876
Disposals	-	-	-	-	(509)	(9)	-	-	(4)	(5)	(25)	(10)	(562)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	189	10	5,154	155	8	-	-	-	-	-	5,516
As at 31 March 2020	8,815	1,003	11,157	711	257,229	13,074	382	28	257	203	493	294	293,646
Depreciation													
As at 31 March 2018	-	-	1,848	250	27,509	2,352	56	10	106	69	186	129	32,515
Charge for the year	-	-	295	33	10,728	817	26	1	30	24	43	50	12,047
Disposals	-	-	(6)	-	(17)	(80)	-	-	-	-	-	(2)	(105)
As at 31 March 2019	-	-	2,137	283	38,220	3,089	82	11	136	93	229	177	44,457
Charge for the year	-	168	332	34	9,718	853	27	1	36	24	51	41	11,285
Disposals	-	-	-	-	(308)	(2)	-	-	(3)	(4)	(21)	(3)	(341)
As at 31 March 2020	-	168	2,469	317	47,630	3,940	109	12	169	113	259	215	55,401
Net Block													
As at 31 March 2019	8,607	-	8,236	415	202,625	9,702	292	17	95	100	144	126	230,359
As at 31 March 2020	8,815	835	8,688	394	209,599	9,134	273	16	88	90	234	79	238,245

Notes:

- (a) The Group has adjusted exchange loss arising on long-term foreign currency loan amounting to INR 5,516 million (31 March 2019 : INR 5,492 million) to the cost of property, plant and equipment.
- (b) Effective from 1 October 2019, based on internal and external technical evaluation, management has reassessed and revised the useful life of certain plant and machinery from 25 years to 40 years and residual value of such assets alongwith assets already at 40 years from 5% to 10% and of non-factory building from 30 years to 60 years. This has resulted in lower depreciation and amortisation expense of INR 1,945 million and higher profit after tax of INR 1,195 million for the year ended 31 March 2020.
- (c) Effective 1 April 2019, the Group adopted Ind AS 116 ('Leases') and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method. Accordingly, the Group has not restated the comparative information on initial application. The Group's leases primarily consist of leases for land, buildings and plant and equipment. On transition, the adoption of new standard resulted in recognition of right-of-use assets of INR 784 million and a lease liability of INR 660 million. With respect to contracts executed prior to 1 April 2019, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. On application of Ind AS 116, the nature of expenses has changed from rent in previous periods to depreciation and amortisation expense for the right-of-use asset and finance cost for interest accrued on lease liability.
- (d) For lien/charge against property, plant and equipment refer note 11.1 and 11.2
- (e) For changes in the carrying value of right-of-use assets, refer note 35.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

	31 March 2020	31 March 2019
3.2 Capital work in progress		
Opening balance	68,321	16,987
Add: Additions during the year	73,696	53,028
Add: Expenditure during the year		
- Employee benefits expense (note 19)	876	475
- Finance costs (note 22)	9,324	3,264
- Depreciation and amortisation expense (note 21)	41	6
- Interest income (note 16)	(48)	(33)
- Other expenses (note 20)	569	617
Less: Assets capitalised during the year	(13,876)	(6,023)
	138,903	68,321

4. Intangible assets

	Computer Software	Total
Cost		
As at 31 March 2018	1,090	1,090
Additions	152	152
As at 31 March 2019	1,242	1,242
Additions	63	63
As at 31 March 2020	1,305	1,305
Amortisation		
As at 31 March 2018	950	950
Charge for the year	69	69
As at 31 March 2019	1,019	1,019
Charge for the year	73	73
As at 31 March 2020	1,092	1,092
Net block		
As at 31 March 2019	223	223
As at 31 March 2020	213	213



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

(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

Other Investment (valued at cost unless stated otherwise)

0.01 million (31 March 2019 : INR 0.01 million) equity shares of INR 10 each fully paid-up in HPCL-Mittal Foundation*

Non-current		Current	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
-	-	-	-
-	-	-	-

*Amounts are less than INR 0.5 million

5.2 Loans (at amortised cost)

Unsecured and considered good

Security deposit

Non-current		Current	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
535	311	2	-
535	311	2	-

5.3 Other bank balances

- Deposits with original maturity of upto 3 months (pledged with banks)

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

- Deposits with original maturity of more than 12 months (pledged with banks)

Non-current		Current	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
-	-	157	-
-	-	6,441	18
-	-	-	27
-	-	6,598	45

*Includes pledged with bank INR 2 million (31 March 2019 : INR 18 million)

5.4 Current investments

Investments in mutual fund (at fair value through profit and loss)

Quoted mutual fund

SBI mutual fund - Nil (31 March 2019 : 620,462 units)

Current	
31 March 2020	31 March 2019
-	1,817
-	1,817

5.5 Trade receivables (at amortised cost)

Unsecured and considered good

Trade receivables

Current	
31 March 2020	31 March 2019
4,864	25,651
4,864	25,651

The credit period for trade receivables ranges from 0 to 30 days. All the outstanding trade receivables are settled within the contractual credit period. Of the trade receivables outstanding as at 31 March 2020 and 31 March 2019, major dues relate to receivables from a single customer which is a related party and is net of INR 8,803 million (31 March 2019 : INR Nil) assigned to a bank under a factoring arrangement, without recourse to the Group (refer note 24).



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

5.6 Cash and cash equivalents

Balances with banks:

- On current accounts

- Deposits with original maturity of upto 3 months

Current	
31 March 2020	31 March 2019
468	171
16,345	1,305
16,813	1,476

Deposits with banks earn interest for periods varying between one day to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5.7 Other financial assets

Derivative instruments at fair value through profit or loss

Foreign exchange forward contracts

Commodity forward contracts

Interest rate and principal only swap

Non-current		Current	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
-	-	5	2
-	-	6	145
-	1,347	-	92
-	1,347	11	239

Other financial assets (at amortised cost)

Interest accrued but not due

Balance recoverable on settled commodity derivative contracts

Others

-	-	401	23
-	-	689	167
-	-	201	23
-	-	1,291	213
-	1,347	1,302	452



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

6. Deferred tax

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

6.1 Deferred tax assets (net)

	31 March 2020	31 March 2019
Balance at the beginning of the year	9,338	9,394
Balance at the end of the year	15,238	9,338
Deferred tax charge/(credit) recognised:	(5,900)	56
in the consolidated statement of profit and loss (including tax on exceptional items)	(4,034)	81
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit plans	(13)	(25)
Net loss/(gain) on effective portion of cash flow hedges	(1,853)	-

6.2 Deferred tax liabilities (net)

	31 March 2020	31 March 2019
Balance at the beginning of the year	2,023	1,656
Balance at the end of the year	2,438	2,023
Deferred tax charged recognised	415	367
in the consolidated statement of profit and loss	415	368
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit plans	-	(1)
Net Deferred tax charge/(credit) recognised in the consolidated statement of profit and loss		
in the consolidated statement of profit and loss (including tax on exceptional items)	(3,619)	449
Other comprehensive income		
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit plans	(13)	(26)
Net loss/(gain) on effective portion of cash flow hedges	(1,853)	-

Note: Profit/(loss) before tax is after exceptional items and tax thereon and Tax expense is excluding tax on exceptional items in the consolidated statement of profit and loss.

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

	31 March 2020	31 March 2019
Accounting profit/(loss) before exceptional items and tax	(613)	19,241
Exceptional items (note 9)	3,662	-
Profit/(loss) before tax	(4,275)	19,241
At India's statutory income tax rate of 38.339% (31 March 2019 : 34.944%)	(1,639)	6,724
Tax effect of:		
-Gain on settlement of central sales tax exempted from tax	(2,357)	(2,478)
-Derivative instruments	-	(1)
-Corporate social responsibility expenses	195	207
-Charge in respect to the adjustment on account of previous years	177	6
-Impact due to change in tax rate	(801)	-
-MAT credit written off	842	-
-Others	(4)	127
At the effective income tax rate of 83.906% (31 March 2019 : 23.829%)	(3,587)	4,585
At India's statutory tax rate for capital gains of 23.296% (31 March 2019 : 23.296%)	(32)	(26)
Difference between book value and indexed cost of land	(32)	(26)
At the effective income tax rate of 84.655% (31 March 2019 : 23.694%)*	(3,619)	4,559

*Includes INR 1,279 million (31 March 2019 : INR Nil) tax on exceptional items.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

6.4 Composition of deferred tax balances

	31 March 2020	31 March 2019
Deferred tax liabilities		
Difference in the book base and tax base of property, plant and equipment	46,737	44,370
Gross deferred tax liabilities	46,737	44,370
Deferred tax assets		
Derivative contracts	537	15
Inventory of spares	256	206
Lease liability	230	-
Others	76	-
Unabsorbed depreciation	33,589	29,327
Carried forward tax losses	11,768	8,209
Unrealised profits on intragroup transactions	68	93
Employee benefits obligation	146	126
Minimum alternate tax (MAT)	12,867	13,709
Gross deferred tax assets	59,537	51,685
Net deferred tax assets	12,800	7,315
Aggregate amount of deferred tax liability (net) in component of the Group	2,438	2,023
Aggregate amount of deferred tax asset (net) in component of the Group	15,238	9,338

Notes:

(a) 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.

(b) HPCL-Mittal Energy Limited ('HMEL') has entered into a fifteen year product off take agreement, starting from November 2011, with Hindustan Petroleum Corporation Limited ('HPCL') according to which HPCL is required to purchase most of the goods produced by the Company. In view of the said contract and past business performances, the management believes, there exists reasonable certainty that it will generate sufficient taxable profits to set-off the unabsorbed depreciation, carry forward losses, unutilised MAT credits and other timing differences and has hence, recognised deferred tax assets on the same.

(c) The Government of India vide the Taxation Laws (Amendment) Act, 2019 has inserted Section 115BAA in Income Tax Act, 1961 which provides domestic companies a non-reversible option (the 'option') to pay corporate tax at reduced rates effective from financial year beginning 1 April 2019 subject to certain conditions. The Company (HMEL) has so far not exercised the option in preparation of consolidated financial statements for the year ended 31 March 2020. However, the subsidiary (HMPL) has recognised the impact of this change along with remeasurement of its deferred tax balances basis the rates prescribed under the said section, in tax expense for the year ended 31 March 2020.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

7. Tax assets (net)

	Non-current	
	31 March 2020	31 March 2019
Advance income tax*	1,860	935
	1,860	935

*Net of provision for income tax of INR 14,158 million (31 March 2019 : INR 10,568 million)

8. Other assets

	Non-current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Capital advances	2,544	7,721	-	-
Advances other than capital advances	81	76	3,545	202
	2,625	7,797	3,545	202
Others				
Balances with statutory/government authorities	196	91	4,306	712
Prepaid expenses	48	195	1,150	652
Export incentive receivable	-	-	2	1
	244	286	5,458	1,365
	2,869	8,083	9,003	1,567

*Includes INR 196 million (31 March 2019 : INR 175 million) paid under protest.

9. Inventories

	31 March 2020	31 March 2019
Raw materials	24,645	42,710
Work-in-progress	13,326	12,735
Finished goods	9,623	7,234
Stores and spares	5,138	5,087
	52,732	67,766

Notes:

(a) Raw materials includes stock in transit of INR 2,199 million (31 March 2019 : INR 12,568 million)

(b) The cost of inventories recognised as an expense includes INR 3,662 million (31 March 2019 : INR 8 million) in respect of write down of inventories to net realisable values.

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

(d) The cost of inventories recognised as an expense during the year in respect of the Group's operations is INR 406,776 million (31 March 2019 : INR 437,023 million)

(e) The Group has determined the unrealised inventory holding losses to the extent below costs resulting from sudden drop in oil prices along with unprecedented demand dislocation due to COVID-19 and the same has been disclosed as Exceptional items in the consolidated statement of profit or loss. Impact of the same, net of tax for the year ended 31 March 2020 is INR 2,383 million (tax INR 1,279 million).



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

10. Equity share capital

	31 March 2020	31 March 2019
(a) Authorised (numbers in million)		
10,000 (31 March 2019 : 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 2019 : 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 2020		For the year ended 31 March 2019	
	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 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

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	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.



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11. Financial Liabilities

11.1 Borrowings (at amortised cost)

Debentures (Secured)

2,000 (31 March 2019 : 2,000) 4% Non-Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'k')

739 (31 March 2019 : 3400) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')

77 (31 March 2019 : 77) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (Series II) (refer 'k')

Debentures (Secured)

10,000 (31 March 2019: Nil) 9.18% Secured Rated Senior Unlisted redeemable Non-Convertible Debentures of INR 1 million each fully paid up (refer 'a')

Foreign currency redeemable bonds (Unsecured)

5.25% Senior unsecured notes (refer 'b')

Foreign currency redeemable bonds (Unsecured)

5.45% Senior unsecured notes (refer 'b')

Term loans (Secured)

Indian rupee loan from banks (refer 'c', 'd', 'e')

Foreign currency loan from banks (refer 'f', 'g', 'h' 'i')

Term loans (Unsecured)

Foreign currency loan from banks (refer 'i')

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

The above amount includes

Secured borrowings

Unsecured borrowings

Less: Amount disclosed under the head 'Other financial liabilities' (note 11.5)

Net amount

	Non-current		Current maturities	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
2,000 (31 March 2019 : 2,000) 4% Non-Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'k')	3,449	3,184	-	-
739 (31 March 2019 : 3400) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')	2,304	16,493	1,573	-
77 (31 March 2019 : 77) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (Series II) (refer 'k')	225	370	173	-
10,000 (31 March 2019: Nil) 9.18% Secured Rated Senior Unlisted redeemable Non-Convertible Debentures of INR 1 million each fully paid up (refer 'a')	9,763	-	-	-
5.25% Senior unsecured notes (refer 'b')	27,973	25,600	-	-
5.45% Senior unsecured notes (refer 'b')	22,430	-	-	-
Indian rupee loan from banks (refer 'c', 'd', 'e')	85,129	41,768	-	1,250
Foreign currency loan from banks (refer 'f', 'g', 'h' 'i')	106,439	99,322	148	954
Foreign currency loan from banks (refer 'i')	16,662	20,174	-	-
Indian rupee loan from Government of Punjab (refer 'j')	5,533	4,811	2,335	20
	279,907	211,722	4,229	2,224
Secured borrowings	207,309	161,137	1,894	2,204
Unsecured borrowings	72,598	50,585	2,335	20
Less: Amount disclosed under the head 'Other financial liabilities' (note 11.5)	-	-	(4,229)	(2,224)
Net amount	279,907	211,722	-	-

Notes:

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

(a) (i) Redeemable 4% Non-Convertible Debentures (NCDs) were issued at par on 3 September 2012. 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. The series consists of three detachable and Separately Transferable Principal Parts (STRPP) A, B and C. STRPP A, B and C debentures are redeemable at a premium of INR 0.82 million, INR 0.97 million and INR 1.15 million per debenture respectively on 3 September 2020, 3 September 2021 and 3 September 2022 respectively, being the 8th, 9th and 10th year respectively from the date of allotment. The effective interest rate (EIR) of such NCDs is 10.90%.

(a) (ii) Redeemable 9.18% Non-Convertible Debentures (NCDs) were allotted at par on 28th 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. The NCD's are repayable at the end of 10 years from the date of allotment. The effective interest rate (EIR) of such NCDs is 9.18%.

(b) (i) US Dollar 5.25% redeemable notes were issued at par on 28 April 2017 and are repayable on 28 April 2027. These are unsecured notes. The effective interest rate (EIR) of these notes is 5.25%.

(b) (ii) US Dollar 5.45% redeemable notes were issued at par on 22 October 2019 and are repayable on 22 October 2026. These are unsecured notes. The effective interest rate (EIR) of these notes is 5.45%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

(c) Indian rupee loan of INR 15,000 million (31 March 2019 : INR 15,000 million) 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 a bullet instalment after 36 months from the date of first disbursement, i.e. 28 September 2018. The loan carries interest rate of 8.70% p.a.

(d) (i) Indian rupee loan of INR 13,000 million (31 March 2019 : INR Nil) outstanding is secured by a hypothecation through a subservient charge on moveable current assets and Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in 10 quarterly instalments starting from 30 June 2022. The loan carries interest rate of 8.40% p.a.

(d) (ii) Indian rupee loan of INR 10,000 million (31 March 2019 : INR 10,000 million) outstanding is secured by a hypothecation through a subservient charge on moveable current assets and Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in 10 quarterly instalments starting from 30 September 2022. The loan carries interest rate of 8.35% p.a.

(d) (iii) Indian rupee loan of INR 5,000 million (31 March 2019 : INR Nil) outstanding is secured by a hypothecation through a residual charge on moveable Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in 3 instalments starting from 23 September 2022. The loan carries interest rate of 8.45% p.a.

(e) Further, Indian rupee loans of INR 42,340 million (31 March 2019 : INR 18,211 million), inclusive of unamortised ancillary borrowing cost of INR 211 million (31 March 2019 : INR 193 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 30 December 2023. The loans carry an interest rate of 8.80% p.a.

(f) Foreign currency loan from banks equivalent to INR 11,594 million (31 March 2019 : INR 10,638 million), inclusive of unamortised ancillary borrowing cost of INR 67 million (31 March 2019 : INR 90 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. These loans are repayable as below:

INR 3,298 million in 3 variable annual instalments starting from February 2022 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.

INR 5,704 million in 3 variable annual instalments starting from April 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.

INR 2,592 million in 3 variable annual instalments starting from June 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.

(g) Foreign currency loan from banks equivalent to INR 56,285 million (31 March 2019 : INR 65,978 million) inclusive of unamortised ancillary borrowing cost of INR 57 million (31 March 2019 : INR 81 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 34,285 million is repayable in 18 variable quarterly instalments starting from 30 December 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 210 bps to 300 bps.

(ii) INR 22,000 million is repayable in 16 variable quarterly instalments starting from 31 March 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 210 bps to 300 bps.

(h) Foreign currency loan from banks equivalent to INR 20,128 million (31 March 2019 : INR 6,225 million) inclusive of unamortised ancillary borrowing cost of INR 601 million (31 March 2019 : INR 445 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:

(i) INR 13,193 million is repayable in 18 variable half yearly instalments starting from 31 December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.

(ii) INR 6,935 million is repayable in 35 variable quarterly instalments starting from 31 December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

(i) (1) Unsecured foreign currency loan equivalent to INR 5,541 million (31 March 2019 : INR 5,084 million) inclusive of unamortised ancillary borrowing cost of INR 28 million (31 March 2019 : INR 35 million) is repayable in a bullet instalment in January 2024. The loan carries an interest rate of 6 month LIBOR plus a spread of 240 bps.

(2) Unsecured foreign currency loan equivalent to INR 11,193 million (31 March 2019: INR 10,271 million) inclusive of unamortised ancillary borrowing cost of INR 44 million (31 March 2019 : INR 45 million) is repayable in two equal annual instalments on 2 February 2023 and 2 February 2024. The loan carries an interest rate of 3 month LIBOR plus a spread of 193 bps.

The above loans (1) and (2) 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.

(j) Loan from Punjab Government is interest free and is repayable in bullet instalments commencing after 66 months from the dates of disbursement. 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):

(k) Secured redeemable Non-Convertible Debentures (NCDs) Series I and Series II were issued at par on 4 October 2012 and 21 August 2012 respectively. These are secured by a first pari passu charge on Fixed Assets (Property, plant and equipment) to the extent of 1.25 times the issue size. Series I debentures are redeemable at a premium of INR 1.12 million per debenture on 5 October 2022 being the 10th year from the date of allotment, giving an effective interest rate ('EIR') of 10.75%.

Series II debentures consists of 3 detachable and separately transferrable principal parts (STRPP) A, B and C. STRPP A, B, C are redeemable at a premium of INR 0.79 million, INR 0.95 million and INR 1.12 million per STRPP/debenture respectively on 21 August 2020, 21 August 2021 and 21 August 2022 being the 8th, 9th and 10th year respectively from the date of allotment. The EIR on these is 10.75%.

(l) Foreign currency loan from banks equivalent to INR 19,638 million (31 March 2019 : INR 18,157 million) net of unamortised ancillary borrowing cost of INR 333 million (31 March 2019 : INR 105 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 6 months LIBOR plus a spread of 162 bps. The loan is repayable in variable instalments starting from 29th March 2020 upto 26 March 2026.

(m) All the above loans are secured by guarantee given by the parent company, for which guarantee commission of 1% p.a. (31 March 2019 : 1% p.a.) is paid on the debt outstanding at the year end.

11.2 Borrowings

	31 March 2020	31 March 2019
Foreign currency loan from banks (secured) (refer 'a')	5,173	6,124
Indian rupee loan (unsecured)	-	5,885
Indian rupee loan from banks (secured) (refer 'b')	3,000	6,490
Indian rupee loan from banks (secured)	-	112
	8,173	18,611

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

(a) INR 5,173 million (31 March 2019 : INR 6,124 million) foreign currency loan is secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company except assets pertaining to the petrochemical project, save and except deposits and accounts under the trust and retention account and have a second charge ranking pari-passu on all movable and immovable Property, plant and equipment of the Company, both present and future except assets pertaining to the petrochemical project. The loan carries an interest rate of 3.65% p.a.

(b) INR 3,000 million (31 March 2019 : INR 6,490 million) Indian rupee loan is secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company except assets pertaining to the petrochemical project, save and except deposits and accounts under the trust and retention account and have a second charge ranking pari-passu on all movable and immovable Property, plant and equipment of the Company, both present and future except assets pertaining to the petrochemical project. The loan carries an interest rate ranging from 6.25% p.a.

There were no defaults in payments and compliance of covenants in respect of above borrowings.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

11.3 Reconciliation of liabilities arising from financing activities

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

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Non-current	Current	Non-current	Current
Balance at the beginning	213,946	18,610	168,742	22,521
Net additions/(repayments)	60,492	(10,647)	37,636	(3,756)
Other movements*	9,698	210	7,568	(154)
Balance at the end	284,136	8,173	213,946	18,611

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.

11.4 Trade payables

	Non-current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade payables*	-	-	27,658	38,898
Acceptances**	-	-	23,444	21,411
	-	-	51,102	60,309

*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.

11.5 Other financial liabilities

	Non-Current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Financial liabilities at fair value through profit or loss				
Commodity forward contracts	-	-	604	1
Foreign exchange forward contracts	-	-	71	71
Interest rate and cross currency swap	2,862	462	280	-
	2,862	462	955	72
Other financial liabilities at amortised cost				
Current maturities of non-current borrowings (note 11.1)	-	-	4,229	2,224
Security deposits received	-	-	188	187
Commodity hedging payable	-	-	154	50
Liability towards project vendors*	19,949	838	7,009	4,252
Liability towards exploration activities**	-	-	229	228
Interest accrued but not due on borrowings	-	-	1,815	1,396
Lease liability	602	-	169	-
	20,551	838	13,793	8,337
	23,413	1,300	14,748	8,409

*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) KG-basin and Rajasthan-basin.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

12. Provisions

	Non-current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Provision for employee benefits				
Provision for gratuity (note 28)	-	-	147	154
Provision for compensated absences	225	169	51	40
	225	169	198	194
Other provisions				
Provision towards project vendors (refer 'a')	-	-	372	143
Provision towards potential claims (refer 'b')	1,170	1,011	-	-
	1,170	1,011	372	143
	1,395	1,180	570	337

Notes:

(a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2019 of INR 143 million has increased by additional provision of INR 445 million and reduced by INR 216 million on account of settlement with the vendors during the year.

(b) The Group has made provision for potential claims that may arise upon final settlement of some of the Group's dues. The opening provision of INR 1,011 million as on 1 April 2019 has changed due to reduction in provision during the year of INR 234 million and increased due to unwinding of discount of INR 393 million.

13. Other liabilities

	Non-current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Advance from customers	-	-	680	295
Statutory dues payable	-	-	3,943	3,128
Government incentives*	1,873	3,486	802	643
Total other liabilities	1,873	3,486	5,425	4,066

*Movement in government incentives

	31 March 2020	31 March 2019
At the beginning of the year	4,129	3,558
Received during the year	805	1,064
Released to the consolidated statement of profit and loss (note 22)	(2,259)	(493)
At the end of the year	2,675	4,129

Government of Punjab has granted an interest free loan to the Group as described in note 29. The difference between the actual proceeds and fair value of the loan has been treated as government incentives and is recognised in the consolidated statement of profit and loss over the period of loan.

14. Current tax liabilities

	Current	
	31 March 2020	31 March 2019
Liabilities for income tax (net of taxes paid)	-	750
	-	750

Net of income tax paid of INR Nil (31 March 2019 : INR 2,834 million)



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

15. Revenue from operations

	31 March 2020	31 March 2019
Sale of products (including excise duty)		
Finished goods	580,053	623,780
	580,053	623,780

Sale of products includes excise duty collected from customers of INR 158,403 million (31 March 2019 : INR 151,501 million).

Disaggregation of revenue

Below table summarises the disaggregated revenue from contracts with customers:

Product wise category	31 March 2020	31 March 2019
Solid products	45,048	58,639
Liquid products	535,005	565,141
Revenue from contracts with customers	580,053	623,780

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 2020 was INR 670 million (31 March 2019 : INR 567 million). Revenue recognised during the current year out of contract liabilities outstanding at the beginning of the year is INR 567 million (31 March 2019 : INR 637 million).

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 2020	31 March 2019
(a) Interest income on financial assets carried at amortised cost		
Bank deposits	456	71
Deposits and others	84	17
(b) Other non-operating income		
Insurance claims received	-	18
Liability towards vendors no longer required written back	52	10
Miscellaneous income	568	586
(c) Other gains and losses		
Gain on sale of current investments (net)	29	94
Gain on settlement of deferred sales tax loan (note 29)	6,329	6,889
Foreign exchange difference (net)	-	3
	7,518	7,688
Less: Transferred to capital work in progress (note 3.2)	(48)	(33)
	7,470	7,655



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

17. Cost of raw materials consumed

	31 March 2020	31 March 2019
Inventory at the beginning of the year	42,710	43,275
Add: Purchases	369,489	415,575
Less: Inventory at the end of the year	(24,645)	(42,710)
	387,554	416,140

Note: Includes material consumed of INR 12,766 million (31 March 2019 : INR 14,894 million) as fuel for in house power and steam generation.

18. (Increase)/decrease in inventories

	31 March 2020	31 March 2019
Inventories at the beginning of the year		
-Work-in-progress	12,735	10,786
-Finished goods	7,234	6,159
Inventories at the end of the year		
-Work-in-progress	(13,326)	(12,735)
-Finished goods	(9,623)	(7,234)
	(2,980)	(3,024)
Add: Exceptional items - inventory effect (refer note 9 (e))	(3,662)	-
Net (increase)/decrease in inventories	(6,642)	(3,024)

19. Employee benefits expense

	31 March 2020	31 March 2019
Salaries, wages and bonus	3,522	2,980
Contribution to provident fund (note 28.1)	200	171
Gratuity expense (note 28.2)	108	80
Compensated absences	116	188
Staff welfare expenses	287	273
	4,233	3,692
Less: Transferred to capital work in progress (note 3.2)	(876)	(475)
	3,357	3,217



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

20. Other expenses

	31 March 2020	31 March 2019
Consumption of chemicals, stores and spares	3,250	3,407
Power and fuel	1,686	1,916
Repairs and maintenance		
-Buildings	4	9
-Plant and machinery	1,207	1,190
-Others	316	298
Facility maintenance	397	393
Professional and consultancy fees (refer note 'a' below)	165	231
Rent	93	314
Commission on sales	176	202
Rates and taxes	16	19
Insurance	865	866
Travelling and conveyance	363	323
Sales promotion expenses	14	7
Freight outward	470	637
Excise duty/Goods and Service Tax (GST) reversal on exempted finished goods	583	725
Increase/(decrease) of excise duty on inventories	1,743	137
Fair value loss on derivative contracts (net)	1,516	1,550
Loss on discard of property plant and equipment	216	185
Corporate social responsibility expenditure (refer note 'b' below)	563	593
Foreign exchange differences (net)	6,970	5,260
Miscellaneous expenses	1,051	1,195
	21,664	19,457
Less: Transferred to capital work in progress (note 3.2)	(569)	(617)
	21,095	18,840

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

	31 March 2020	31 March 2019
-Fee for statutory audit	8	7
-Fee for limited review	3	1
-Fee for tax audit	*	*
-Fee for certifications	1	1
-Other services	2	2
-Out of pocket expenses	1	1
	15	12

*Amounts are less than INR 0.5 million

**Additionally, a sum of INR 11 million (31 March 2019 : INR Nil), was paid in relation to foreign currency redeemable bonds issued by the Group during the year, which is included in ancillary cost that has been netted off against the gross proceeds of such borrowings under note 11.1.

b) Details of CSR expenditure

	31 March 2020	31 March 2019
Gross amount required to be spent by the Group during the year	563	574
Amount spent during the year:		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	563	593
	563	593

Note: Out of the aforementioned amount of INR 563 million (31 March 2019 : INR 593 million), an amount of INR 552 million (31 March 2019 : INR 396 million) has been contributed by the Group to HPCL-Mittal Foundation which has been incorporated, exclusively for undertaking CSR activities in terms of the General Circular No. 21/2014 of MCA dated 18 June 2014.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

21. Depreciation and amortisation expense

	31 March 2020	31 March 2019
Depreciation property, plant and equipment (note 3.1)	11,285	12,047
Amortisation of intangible assets (note 4)	73	69
	11,358	12,116
Less: Transferred to capital work in progress (note 3.2)	(41)	(6)
	11,317	12,110

22. Finance costs

	31 March 2020	31 March 2019
Interest cost*	19,438	13,656
Exchange difference to the extent considered as an adjustment to borrowing cost	4,437	3,469
Bank charges	353	271
Interest rate swap - settlement	13	(349)
Unwinding of discount on long term provisions	393	109
	24,634	17,156
Less: Transferred to capital work in progress (note 3.2)	(9,324)	(3,264)
Less: Government incentives (note 13)	(2,259)	(493)
	13,051	13,399

*Includes interest on lease liability INR 66 million.

23. Earnings per share (EPS)

	31 March 2020	31 March 2019
The following reflects the profit/(loss) and equity shares data used in the basic and diluted EPS computations:		
Profit/(loss) after tax as per Statement of Profit and Loss (used for both calculation of basic and diluted EPS)	(656)	14,682
Weighted average number of equity shares in calculating basic and diluted EPS (in million)	8,041	8,041
Basic - Par value of INR 10 per share (in INR)	(0.08)	1.83
Diluted - Par value of INR 10 per share (in INR)	(0.08)	1.83



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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

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)
Holding company of joint venturer (HPCL)	Oil and Natural Gas Corporation Limited (ONGC)

24.2 Transactions with related parties

Particulars	Joint venture companies having significant influence				Holding company of joint venturer (HPCL)		Key management personnel	
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Oil and Natural Gas Corporation Limited		31 March 2020	31 March 2019
Transactions during the year	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Allocation of expenses	162	180	-	-	-	-	-	-
Reimbursement of expenses paid/payable	8	9	-	-	-	-	-	-
Purchase of goods	1,957	1,628	-	-	-	-	-	-
Purchase of services	-	2	-	-	-	-	-	-
Sale of goods (Inclusive of taxes)	555,549	578,302	-	-	-	-	-	-
Sale of crude oil	-	1,618	-	-	-	-	-	-
Final dividend paid	500	500	500	500	-	-	-	-
Sales of spares	-	-	-	-	-	-	-	-
Purchase of spares	-	2	-	-	-	-	-	-
Contribution towards exploration expenses	-	-	-	-	1	11	-	-
Remuneration paid to key managerial personnel:								
(i) short-term employment benefits	-	-	-	-	-	-	150	118
(ii) post-employment benefits	-	-	-	-	-	-	11	19
(iii) other long term benefits	-	-	-	-	-	-	3	6
(iv) sitting fees	-	-	-	-	-	-	3	4

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Oil and Natural Gas Corporation Limited	
Balance outstanding	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade receivable (note 5.5)	4,816	24,024	-	-	-	-
Other financial assets - others	11	14	-	-	-	-
Other financial liabilities - exploration activities	-	-	-	-	19	18
Trade payable	67	109	-	-	-	-

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 2020, 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 20(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.



25. Financial Instruments

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

Particulars	31 March 2020			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	537	537	537
Trade receivables	-	4,864	4,864	4,864
Cash and cash equivalents	-	16,813	16,813	16,813
Other bank balances	-	6,598	6,598	6,598
Other financial assets (current)	11	1,291	1,302	1,302
Total Financial assets	11	30,103	30,114	30,114
Financial liabilities				
Borrowings (current)	-	8,177	8,177	8,204
Borrowings (non-current)*	-	285,877	285,877	323,575
Trade payables	-	51,154	51,154	51,190
Derivative liabilities not designated as cash flow hedge	675	-	675	675
Derivative liabilities designated as cash flow hedge	3,142	-	3,142	3,142
Other financial liabilities (current)	-	7,749	7,749	7,748
Other financial liabilities (non-current)	-	20,569	20,569	20,715
Total Financial liabilities	3,817	373,526	377,343	415,249

Particulars	31 March 2019			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	311	311	311
Investments in Mutual Funds	1,817	-	1,817	1,817
Trade receivables	-	25,651	25,651	25,651
Cash and cash equivalents	-	1,476	1,476	1,476
Other bank balances	-	45	45	45
Other financial assets (current)	239	213	452	452
Other financial assets (non-current)	1,347	-	1,347	1,347
Total Financial assets	3,403	27,696	31,099	31,099
Financial liabilities				
Borrowings (current)	-	18,611	18,611	18,611
Borrowings (non-current)*	-	214,344	214,344	218,181
Trade payables	-	60,309	60,309	60,309
Other financial liabilities (current)	72	6,113	6,185	6,185
Other financial liabilities (non-current)	462	838	1,300	1,300
Total Financial liabilities	534	300,215	300,749	304,586

*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 liability, mutual funds 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 liability included in other financial 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.



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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 2020			31 March 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets - current						
Investment in mutual fund	-	-	-	1,817	-	-
Other financial assets (derivative assets)	-	11	-	-	239	-
Financial assets - non current						
Other financial assets (derivative assets)	-	-	-	-	1,347	-
Financial liabilities - current						
Other financial liabilities (derivative liability)	-	955	-	-	72	-
Financial liabilities - non current						
Other financial liabilities (derivative liability)	-	2,862	-	-	462	-

c) Foreign currency liability/cross currency swap contracts

Effective 1 January 2020:

- 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 reporting period:

Designated as cash flow hedges

Sell USD	Notional amounts (USD million)	
	31 March 2020	31 March 2019
1 year to 2 years	15	-
2 years to 5 years	139	-
Beyond 5 years	814	-
Total	968	-

Foreign currency liability restated at closing exchange rate and effective portion of INR 2,930 million being mark to market have been recognised in other comprehensive income. Ineffectiveness portion amounting to INR 478 million have been included in 'foreign exchange differences (net)' under 'Other expenses' during the reporting period.

Effective portion of cash flow hedges of INR 1,243 million as at 31 March 2020 on cross currency swap contracts have been recognised in other comprehensive income. Ineffectiveness portion amounting to INR 46 million have been included in 'fair value loss on derivative contracts (net)' under 'Other expenses' during the reporting period.

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 reporting period.

Designated as cash flow hedges

Outstanding contracts (floating to fixed)

Particulars	Notional amounts (USD million)	
	31 March 2020	31 March 2019
Less than 1 year	392	-
1 year to 2 years	174	-
2 years to 5 years	371	-
Total	937	-

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

Effective portion of cash flow hedges of INR 1,131 million as at 31 March 2020 on interest rate swap contracts have been recognised in other comprehensive income. Ineffectiveness portion amounting to INR 14 million have been included in 'fair value loss on derivative contracts (net)' under 'Other expenses' during the reporting period.



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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 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 2020, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2019 : 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 2020	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	20,503	128,868	193,043	53,973	396,387
Borrowings (current)	8,219	-	-	-	8,219
Trade payable	52,161	-	-	-	52,161
Other financial liabilities	8,691	20,528	-	-	29,219
Payments for leases (note 35)	228	318	421	114	1,081
Derivative financial liabilities	955	2,862	-	-	3,817
31 March 2019	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	14,218	119,818	123,426	12,353	269,815
Borrowings (current)	18,694	-	-	-	18,694
Trade payable	60,925	-	-	-	60,925
Other financial liabilities	6,467	874	-	-	7,341
Payments for operating leases	76	128	210	84	498
Derivative financial liabilities	72	462	-	-	534

*Includes current maturities of non-current borrowings



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(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 2020 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.

Effect in INR	Profit or (loss) before tax for the year ended 31 March 2020		Profit or (loss) before tax for the year ended 31 March 2019	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
USD	3,119	(3,119)	2,129	(2,129)
JPY	55	(55)	-	-
EURO	15	(15)	2	(2)
	3,189	(3,189)	2,131	(2,131)

(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 2020 would decrease/increase by INR 1,738 million (31 March 2019 : INR 1,003 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.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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(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 anticipated refined products. HMEI employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. As on 31 March 2020, some of these hedging positions on, benchmark mismatches (basis swaps) 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 2020 in Unrealised Loss on Commodity Hedging account assuming all other variables remain constant is as under:

Increase or decrease by \$1/bbl in Dated Brent Dubai differential is INR 53 million (31 March 2019 : INR 166 million)

Increase or decrease by \$1/bbl in FO Dubai differential is INR Nil (31 March 2019 : INR 90 million)

Increase or decrease by \$1/bbl in ICE Brent Dubai differential is INR 294 million (31 March 2019 : INR 90 million)

Increase or decrease by \$1/bbl in Dubai is INR 162 million (31 March 2019 : INR Nil)

Increase or decrease by \$1/bbl in Singapore Gasoil 10 PPM cracks is INR 75 million (31 March 2019 : INR Nil)

Increase or decrease by \$1/bbl in Singapore 92 Ron Gasoline cracks is INR 4 million (31 March 2019 : INR Nil)

The impact of increase or decrease would be offset by the changes in physical sales/purchase revenue/cost.

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 2020 and 31 March 2019.

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

	31 March 2020	31 March 2019
Equity including retained earnings	100,133	105,498
Borrowings considered as equity* (note 11.1)	15,000	15,000
Total equity (a)	115,133	120,498
Non-current borrowings (b)**	269,136	198,946
Total capital (c) = (a) + (b)	384,269	319,444
Long term borrowings (b) / Total capital (c)	70%	62%

*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 period.



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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 200 million (31 March 2019 : INR 171 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 2020	31 March 2019
Current service cost	96	74
Net interest expenses	12	6
Amount to be recognised in the consolidated statement of profit and loss	108	80

(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2020	31 March 2019
Expected return on plan assets (excluding amounts included in net interest expense)	(5)	(3)
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	13	52
- From changes in financial assumptions	70	54
- From changes in experience adjustments	(38)	(28)
Amount to be recognized in the consolidated statement of other comprehensive income	40	75

(ii) Benefit assets/(liability)

Particulars	31 March 2020	31 March 2019
Present value of defined benefit obligation	637	477
Fair value of plan assets	490	323
Plan liability	(147)	(154)

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 2020	31 March 2019
Opening defined benefit obligation	477	336
Current service cost	97	74
Interest cost	36	26
Benefits paid	(18)	(37)
Actuarial (gain)/loss on obligation		
- Actuarial (gain)/loss - demographic assumptions	13	52
- Actuarial (gain)/loss - financial assumptions	70	54
- Actuarial (gain)/loss - experience adjustments	(38)	(28)
Closing defined benefit obligation	637	477

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

Particulars	31 March 2020	31 March 2019
Opening fair value of plan assets	323	263
Expected return	30	24
Contributions by employer	155	73
Benefits paid	(18)	(37)
Closing fair value of plan assets	490	323



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

Particulars	31 March 2020	31 March 2019
Discount rate	6.45%	7.61%
Future salary increase	8.42%	8.49%
Attrition rate		
- Up to 30 years	10.05%	9.35%
- From 31 to 44 years	4.60%	4.15%
- Above 44 years	5.75%	5.00%
Mortality rates inclusive of provision for disability (Indian Assured Lives Mortality)	100% (2012-14)	100% (2006-08)

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 2020 is as shown below:

Assumptions	Sensitivity Level	31 March 2020	31 March 2019
Discount rate	0.5 % increase	(26)	(20)
	0.5 % decrease	28	21
Future salary increases	0.5 % increase	13	10
	0.5 % decrease	(13)	(10)

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 2020	31 March 2019
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 in 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 123 million (31 March 2019 : INR 101 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2020	31 March 2019
0 to 1 year	82	61
1 to 2 year	44	22
2 to 3 year	42	12
3 to 4 year	36	10
4 to 5 year	35	12
5 to 6 year	31	8
6 year onwards	367	352

(ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 10.17 years (31 March 2019 : 11.10 years) of HMEL and 15.28 years (31 March 2019 : 15.94 years) of HMPL.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

(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 allowed a deferment of Central Sales Tax (CST) up to 300% of fixed capital investment for 15 years from the date of production, and the same is required to be repaid, free of interest, from 16th year onwards in 30 half yearly instalments. Further, Punjab VAT Act, 2005 vide notification no. S.O. 21/P.O.5/2005/S, 92/2005 dated 6 April 2005, prescribed certain conditions for availing deferment and exemption which inter-alia provides that any unit availing benefit of deferment, can opt for payment of deferred CST liability on a net present value basis, before the date of filing of return. The Company had discussed with GoP for settlement of its CST liabilities in line with the above option and has settled the CST liability of INR 53,145 million (31 Mar 2019 : INR 44,558 million) as at 31 March 2020, for a Net Present Value (NPV) of INR 10,651 million (31 March 2019 : INR 8,393 million), by discounting the gross CST liability using an appropriate interest rate. The Company has obtained necessary legal advice with respect to the enforceability of said adjustment and also the basis for computation of net present value of CST. Consequentially, a gain of INR 6,329 million (31 March 2019 : INR 6,889 million) has been accounted for in the books of accounts in the current year as other income.

Further, 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 in equal monthly instalments over a 5 year period starting from the date of commencement of operations viz 3 December 2011, a date which has been recognised and approved by the Empowered Committee of GoP. The said loan is required to be repaid in bullet instalments after expiry of 66 months from the date of disbursement. Accordingly, as of 31 March 2020 an amount of INR 12,500 million (31 March 2019: INR 12,500 million) was due to the Company towards IFL against which an amount of INR 100 million only was disbursed upto 31 March 2019. As per the terms of the DoA, in the event of non-payment of monthly loan instalments, the Company is eligible to unilaterally adjust the loan amount in subsequent month from its sales tax or such other payment due to GoP. The Company exercised the said option on 1 April 2015 and started adjusting the amount of IFL against the NPV of CST payable of INR 10,651 million, as mentioned above, and has a resultant gross IFL of INR 10,751 million (31 March 2019 : INR 8,493 million), including INR 100 million received earlier in cash, payable to GoP. The gross IFL of INR 10,751 million (31 March 2019 : INR 8,493 million) was initially recognised at fair value and the difference was treated as a deferred government grant. Subsequently the IFL is being measured at amortised cost and the deferred government grant is being released to the statement of profit and loss on a systematic basis to match them with interest costs, which they intend to compensate.

30. Debenture Redemption Reserve (DRR)

The Company 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 August 16, 2019, has created a Debenture Redemption Reserve (DRR) amounting to INR 1,942 million (31 March 2019: INR 4,179 million). However, Debenture Redemption Reserve is not required in case of privately placed debentures issued by Company's subsidiary company in terms of Rule 18(7)(b)(iii) of Companies (Share Capital and Debentures) Rule, 2014 as amended by Companies (Share Capital and Debentures) Amendment Rules, 2019 notified on August 16, 2019.

31. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 63,112 million (31 March 2019 : INR 108,727 million), net of advances amounting to INR 2,544 million (31 March 2019: INR 7,721 million).

32. 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, expenditure and certain asset information regarding the Group's geographical segments:

Particulars	Non-current operating assets		Revenue	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
India	377,361	298,903	578,651	619,750
Outside India	-	-	1,402	4,030
	377,361	298,903	580,053	623,780

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 539,800 million (31 March 2019 : INR 561,876 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 2020 and 31 March 2019.

33. Contingent liabilities**Claims against the Group not acknowledged as debt**

S.No.	Particulars	31 March 2020	31 March 2019
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation	226	372
3.	Claims raised by project vendors	2,785	2,794
4.	Penal demand raised by income tax department	17	18
5.	Demand for service tax and penalty raised by service tax department	289	358
6.	Disallowance of cenvat credit including interest and penalty by department	1,377	1,068
7.	Excise duty demand	1,434	-

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.

34. Details of dues to Micro and Small Enterprises as per Micro, Small And Medium Enterprises Development (MSMED) Act, 2006

There are no material dues owed by the Group to Micro and Small enterprises, which are outstanding for more than 45 days during the year and as at 31 March 2019. This information as required under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Group and has been relied upon by the auditors.

Particulars	31 March 2020	31 March 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
i) Principal amount due to micro and small enterprise	Nil	Nil
ii) Interest due on above	Nil	Nil
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006.	Nil	Nil

35. Leases

Effective 1 April 2019, the Group adopted Ind AS 116 ("Leases") and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method. Accordingly, the Group has not restated the comparative information on initial application. On transition, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and corresponding right-of-use asset.

The following are the carrying amounts of right-of-use assets recognised and the movement during the year ended 31 March 2020.

Particulars	Class of right-of-use assets			Total
	Land	Buildings	Plant and equipment	
As at 1 April 2019	532	252	-	784
Additions	-	75	144	219
Deletions	-	-	-	-
Depreciation expense	(46)	(57)	(65)	(168)
As at 31 March 2020	486	270	79	835

The following is the movement in lease liabilities during year ended 31 March 2020.

Particulars	31 March 2020
As at 1 April 2019	660
Additions during the year	206
Interest expense on lease liability	66
Payment of lease liabilities	(161)
As at 31 March 2020	771

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 leases was INR 12 million for year ended 31 March 2020.



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 2020	31 March 2019
Share capital	12,230	12,230
Other equity	(12)	(1,075)
Total assets	40,194	39,733
Total liabilities	27,976	28,578
Revenue from operations	10,918	10,985
Profit before taxation	1,480	2,610
Tax expense	415	930
Profit after taxation	1,065	1,680
% 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 2020		31 March 2019	
	Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated net assets/(liabilities)
HMEL	100,277	100	106,750	101
HMPL	12,218	12	11,155	11
Sub Total	112,495	112	117,905	112
Elimination*	(12,362)	(12)	(12,407)	(12)
Consolidated	100,133	100	105,498	100

Particulars	Share in total comprehensive income			
	31 March 2020		31 March 2019	
	Amount	As % of consolidated profit/(loss)	Amount	As % of consolidated profit/(loss)
HMEL	(5,242)	127	13,004	89
HMPL	1,063	(26)	1,679	11
Sub Total	(4,179)	101	14,683	100
Elimination*	45	(1)	(50)	-
Consolidated	(4,134)	100	14,633	100

*Adjustments for intra group transaction and/or balances

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

M. K. Surana
Chairman
DIN 07464675

Rajesh Tandon
Director
DIN 01968916

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: Mumbai

Place: London

Place: Noida

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: Noida

Place: Noida
Date: 9 June 2020

