

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HPCL-MITTAL ENERGY LIMITED
Report on the Consolidated Ind AS Financial Statements**

We have audited the accompanying consolidated Ind AS financial statements of HPCL-Mittal Energy Limited (hereinafter referred to as "the Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group"), comprising the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements") and which includes a joint operation consolidated on a proportionate basis with the Parent.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, 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; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.



Deloitte Haskins & Sells LLP

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material

misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Other Matters

- a) The comparative financial information as at and for the year ended 31 March 2017 prepared in accordance with Ind AS and included in these consolidated Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 19 May 2017 expressed an unmodified opinion.
- b) We did not audit the total liabilities amounting to INR 225 million as at 31 March 2018 and exploration costs written off of INR 45 million for the year ended 31 March 2018 included in these consolidated Ind AS financial statements in respect to the 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 operators and have not been subjected to audit by independent auditors. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts included in respect of these 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 Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

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 Ind AS financial statements.



- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS 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 Cash Flow Statement and 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 Ind AS financial statements.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Parent and subsidiary as on 31 March 2018 taken on record by the Board of Directors of the Parent and subsidiary, none of the directors of the Group companies, is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - 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

Jitendra Agarwal
Partner
(Membership No. 87104)

Place: GURUGRAM
Date: 08 MAY 2018

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 Ind AS financial statements of the Parent as at and for the year ended 31 March 2018, 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 company, 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 ("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 company, 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.



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 company 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 at 31 March 2018, 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)

Place: GURUGRAM
Date: 08 MAY 2018

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	231,081	213,261
Capital work in progress	3.2	16,987	18,922
Intangible assets	4	140	350
Financial assets			
Loans	5.1	215	178
Other bank balances	5.2	27	27
Other financial assets	5.5	814	281
Deferred tax assets (net)	6.1	9,394	11,645
Tax assets (net)	7	1,019	489
Other non-current assets	8	2,723	902
		262,400	246,055
Current assets			
Inventories	9	65,976	58,912
Financial assets			
Trade receivables	5.3	20,430	13,536
Cash and cash equivalents	5.4	67	726
Other bank balances	5.2	400	897
Loans	5.1	2	3
Other financial assets	5.5	142	257
Other current assets	8	1,569	3,101
		88,586	77,432
TOTAL ASSETS		350,986	323,487
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	80,411	80,411
Other equity		11,684	(4,606)
		92,095	75,805
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	11.1	164,842	168,715
Other financial liabilities	11.4	1	22
Provisions	12	1,060	893
Deferred tax liabilities (net)	6.2	1,656	2,989
Other non-current liabilities	13	3,065	2,864
		170,624	175,483
Current liabilities			
Financial Liabilities			
Borrowings	11.2	22,521	20,475
Trade payables	11.3	49,988	34,535
Other financial liabilities	11.4	9,896	10,647
Other current liabilities	13	4,083	5,371
Provisions	12	1,779	344
Current tax liabilities (net)	14	-	827
		88,267	72,199
TOTAL EQUITY AND LIABILITIES		350,986	323,487

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: Gurugram
Date: 8 May 2018

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

Vinod S. Shenoy
Director
DIN 07632981

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Rajan Tandon
Director
DIN 01968916

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer



Place: Mumbai
Date: 8 May 2018

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
Income			
Revenue from operations	15	399,431	424,886
Other income	16	7,577	8,746
Total Income		407,008	433,632
Expenses			
Cost of raw materials consumed	17	226,347	214,426
(Increase)/ decrease in inventories	18	5,465	(11,401)
Excise duty on sale of goods		121,423	153,149
Employee benefits expense	19	2,725	2,527
Finance costs	22	11,527	10,731
Depreciation and amortisation expense	21	11,429	11,387
Other expenses	20	6,197	10,287
Exploration costs written off		45	14
Total expenses		385,158	391,120
Profit before tax		21,850	42,512
Tax expense			
Current tax (Minimum alternate tax)		4,638	4,695
Deferred tax charge		918	6,911
Total tax expense	6	5,556	11,606
Profit for the year		16,294	30,906
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement losses on defined benefit obligations		(4)	(13)
Income tax impact		-	3
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years		(4)	(10)
Total comprehensive income for the year		16,290	30,896
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic		2.03	3.84
Diluted		2.03	3.84

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



Place: Gurugram
Date: 8 May 2018

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

Vinod S. Shenoy

Vinod S. Shenoy
Director
DIN 07632981

Rajan Tandon

Rajan Tandon
Director
DIN 01968916

Sidhartha Tyagi

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Prabir Das

Prabir Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia

Harak Banthia
Chief Financial Officer



Place: Mumbai
Date: 8 May 2018

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

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

(a) Equity share capital

	No. million	INR million
As at 31 March 2016	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2017	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2018	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Total
As at 31 March 2016	(35,502)	-	(35,502)
Profit for the year	30,906	-	30,906
Other comprehensive income for the year - Remeasurement of defined benefit liability (net of tax)	(10)	-	(10)
As at 31 March 2017	(4,606)	-	(4,606)
Profit for the year	16,294	-	16,294
Other comprehensive income for the year - Remeasurement of defined benefit liability (net of tax)	(4)	-	(4)
Transfer from retained earnings (note 30)	(3,865)	3,865	-
As at 31 March 2018	7,819	3,865	11,684

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



Place: Gurugram
Date: 8 May 2018

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

Vinod S. Shenoy
Vinod S. Shenoy
Director

DIN 07632981

Rajan Tandon
Rajan Tandon
Director

DIN 01968916

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

Sidhartha Tyagi

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia

Harak Banthia
Chief Financial Officer

Place: Mumbai
Date: 8 May 2018



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		21,850	42,512
Adjustments for:			
Unrealized foreign exchange loss/(gain) (net)		220	(2,093)
Unrealised loss/(gain) on currency derivative contracts (net)		(641)	(894)
Unrealized loss/(gain) on commodity derivative contracts (net)		251	135
Finance costs		10,167	9,760
Depreciation and amortisation expense		11,429	11,387
Exploration costs written off		45	14
Interest Income		(78)	(120)
Provision no longer required written back		(15)	-
Gain on sale of current investments (net)		(107)	(58)
Exchange difference to the extent considered as an adjustment to borrowing cost		1,147	790
Loss on discard of property plant and equipment		558	-
Liability towards vendors no longer required written back		(1,423)	-
Operating profit before working capital changes		43,403	61,433
Movements in working capital:			
(Increase)/decrease in inventories		(7,050)	(26,295)
(Increase)/decrease in trade receivables		(6,894)	(614)
(Increase)/decrease in loans		(36)	16
(Increase) in other financial assets		(471)	(461)
(Increase)/decrease in other assets		1,552	(1,772)
Increase/(decrease) in trade payables		15,294	13,528
Increase/(decrease) in financial liabilities		579	(211)
Increase/(decrease) in provisions		35	173
Increase/(decrease) in other liabilities		(1,393)	1,251
Cash generated from operations		45,019	47,048
Direct tax paid (net of refund)		(5,996)	(3,869)
Net cash generated from operating activities (A)	11.5 (b)	39,023	43,179
B CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(27,078)	(13,213)
Payments for exploration activities		-	(75)
Proceeds from short term mutual funds		423,970	226,993
Investment in short term mutual funds		(423,864)	(226,935)
Investment in fixed deposits		(450)	(547)
Proceeds from maturity of fixed deposits		947	543
Interest received		99	604
Net cash used in investing activities (B)		(26,376)	(12,630)
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	11.5 (a)	50,686	19,284
Repayment of non-current borrowings	11.5 (a)	(54,886)	(34,849)
Proceeds from current borrowings	11.5 (a)	256,552	222,275
Repayment of current borrowings	11.5 (a)	(254,557)	(227,045)
Borrowing costs paid			
- Interest		(9,651)	(8,631)
- Others		(1,450)	(979)
Net cash used in financing activities (C)	11.5 (b)	(13,306)	(29,945)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(659)	604
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		726	122
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		67	726

Notes:

(i) The consolidated cash flow statement has been prepared under the indirect method as set out in Ind AS 7 Cash Flow Statements.

(ii) Components of cash and cash equivalents included under cash and cash equivalents (note 5.4) are as under :

Balances with scheduled banks		
-On current accounts	67	204
-Deposits with original maturity of upto 3 months	-	522
Cash and cash equivalents (note 5.4)	67	726

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: Gurugram
Date: 8 May 2018

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

Vinod S. Shenoy
Director
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Company Secretary
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Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer



Place: Mumbai
Date: 8 May 2018

HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

(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.

During the year, the capacity of the Company's petroleum refinery at Bathinda, Punjab has increased from 9 Million Metric Tonne Per Annum (MMTPA) to 11.3 MMTPA. The Company has participating interest in one domestic exploration and production (E&P) block at Rajasthan viz. RJ-ONN-2005/2 with a participating interest of 20% (previous year 20%) which is in the nature of jointly controlled asset and operated by third party.

The Company has a wholly owned subsidiary- HPCL-Mittal Pipelines Limited ('HMPL'), domiciled in India and limited by shares. HMPL has set up 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 registered office of HMPL is located at Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab - 151301.

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 8 May 2018.

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 Companies Act, 2013.

Effective April 1, 2016, the Group has adopted all the Ind AS standards 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.

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 2017. The nature and the impact of the amendment is described below:

Amendments to Ind AS 7- Statement of Cash Flows: Disclosure Initiative

The amendment requires entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 11.5(a)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(c) Recent accounting pronouncements

(i) New Indian Accounting Standard (Ind AS) issued but not yet effective

Ind AS 115 'Revenue from Contracts with Customers' was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognised when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services. The adoption of Ind AS 115 is not expected to have material effect on Group's consolidated financial statements.

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

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

Amendments to Ind AS 12 - Recognition of deferred tax assets for unrealised losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 April 2018. These amendments are not expected to have material effect on Group's consolidated financial statements.

Appendix B to Ind AS 21 - Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the Appendix, or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.

The Appendix is effective for annual periods beginning on or after 1 April 2018. The Group is currently evaluating the impact that the adoption of this clarification will have on Group's consolidated financial statements.

Amendments to Ind AS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.



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The amendments are effective for annual periods beginning on or after 1 April 2018. The Group will apply amendments when they become effective. However, currently the Group does not have any investment property and thus, these amendments shall have no impact on the Group's consolidated financial statements.

Amendments to Ind 112 - Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in Ind AS 112

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments are not applicable to the Group.

Ind AS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 April 2018. These amendments are not applicable to the Group.

(d) Basis and principles of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2018. The Company has only one subsidiary in India, HPCL- Mittal Pipelines Limited in which it holds 100% (31 March, 2017: 100%) 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.



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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 recognised 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 recognised 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 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:

- (a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- (b) Derecognises the carrying amount of any non-controlling interests
- (c) Derecognises the cumulative translation differences recorded in equity
- (d) Recognises the fair value of the consideration received
- (e) Recognises the fair value of any investment retained
- (f) Recognises any surplus or deficit in profit or loss
- (g) 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

(e) 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(g)(4) for accounting policy regarding financial instruments.

(f) Functional and presentation currency

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

(g) 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:



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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 around the (i) 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 (ii) 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) 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 assessment of 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 asset. The Group reviews the useful life of property, plant and equipment at the end of each reporting date.

ii) 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.

iii) 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.

iv) 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.

(v) Recognition of Deferred tax asset

HMPL is operating and maintaining infrastructure facility being port assets which are eligible for tax benefits under section 80IA of Income Tax Act, 1961. During the year, HMPL based on re-assessment of its business projections and other qualitative factors has recognised deferred tax considering benefit u/s 80IA of the Income Tax Act, 1961 may not be available during the tax holiday period ending on 31 March 2026 as the Company does not expect taxable profit during such period. HMPL would continue to evaluate this deferred tax position at each period end during the tax holiday period.

(h) 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



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

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

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

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

Operating cycle

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

(i) Summary of significant accounting policies

1) Property, plant and equipment

Recognition and measurement

Property, plant and equipment including capital work in progress is measured at cost less accumulated depreciation and 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 asset 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



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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.

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 and adjusted if appropriate, at the end of each reporting period.

Particulars	Useful Life (Years)
Building *	30
Building (culverts)	30
Building (roads)	5
Temporary buildings and water lines	3
Plant and equipment (refinery assets)	25
Plant and equipment (captive power plant)	40
Plant and equipment (crude oil pipeline)	30
Plant and equipment (pumps)	25
Plant and equipment (hoses)	8
Plant and equipment (lab equipment)	10
Plant and equipment (others)	15
Railway Sidings	15
Furniture and Fixtures	10
Vehicles	8
Office Equipment	5
Computer and peripherals – end user devices	3
Computer and peripherals – server	6

*Buildings include both factory and non-factory buildings. The useful lives of the non-factory buildings as mentioned in Schedule II of Companies Act 2013, is higher than what has been assessed by the management.

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 – refinery assets) are depreciated on SLM basis over their useful life determined based on individual chemical reports (ranging from 1 to 8 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. The Group has decided to continue with the value of intangible assets recognised as at 1 April 2015 measured as per the previous GAAP as the deemed cost of intangible assets.

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 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 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.

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 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.



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(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 standalone 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 Company 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 standalone statement of profit and loss.

B. Equity instruments and financial liabilities

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.

Financial liabilities

(i) 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.

(ii) Derecognition of financial liabilities

The Company 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 standalone 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 Company 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. 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 foreign interest rate swaps, exchange forward contracts and commodity derivatives 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. The resulting gain or loss is recognised in the standalone statement of profit and loss immediately.



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Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

E. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the standalone 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 Company's assumptions about pricing by market participants.

5) Borrowing costs

Borrowing cost includes interest expense as per effective interest rate 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 necessary to make the sale.

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.



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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, short-term 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 Company 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.

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



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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

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customers and delivery has occurred as per the contractual terms. 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 company on its own account, revenue includes excise duty.

The Group collects sales tax, value added taxes (VAT) and goods and 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 the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria as per the respective arrangement has been met.

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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at 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 denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit and loss.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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 PPE in respect of accounting of exchange gains and losses relating to long term foreign currency monetary items.

13) Exploration and Development Expenditure

The Group follows the "Successful Efforts Method" of accounting for oil & gas exploration and production activities.

- Cost of surveys, studies, carrying and retaining undeveloped properties are expensed out in the year of incurrence.
- Cost of acquisition, drilling and development are treated as capital work in progress when incurred and are capitalised when the well is ready to commence commercial production.
- Accumulated costs on exploratory well in progress are expensed out in the year in which they are determined to be dry.
- The proportionate share in the assets, liabilities, income and expenditure of joint operations are accounted as per participating interest in such joint operations.

14) 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.

15) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Identification of segments:

In accordance with Ind AS 108– Operating Segment, the operating segments used to present segment information are identified on the basis of information reviewed by the Group's management 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.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

Results of the operating segments are reviewed regularly by the leadership team (Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) which has been identified as the chief operating decision maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

16) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Group. All other leases are classified as operating leases.

Operating lease payments are recognised as prepayments and amortised on a straight-line basis over the term of the lease unless the payments are structured to increase in line with expected general inflation to compensate for lessor's expected inflationary cost increases. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

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.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

3.1 Property, plant and equipment

	Land freehold	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
As at 31 March 2016	7,801	8,167	683	206,637	12,578	241	15	161	137	210	236	236,866
Additions	-	11	-	1,202	3	-	-	11	12	64	-	1,303
Disposals	-	-	-	(51)	-	-	-	-	(2)	-	-	(53)
Other adjustments	-	(106)	(8)	(2,462)	(132)	(4)	-	-	-	-	-	(2,712)
As at 31 March 2017	7,801	8,072	675	205,326	12,449	237	15	172	147	274	236	235,404
Additions	310	902	-	28,132	-	130	2	24	20	40	61	29,621
Disposals	-	-	-	(1,334)	-	-	-	-	(1)	-	-	(1,335)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2018	-	(7)	1	(106)	18	-	-	-	-	-	-	(94)
As at 31 March 2018	8,111	8,967	676	232,018	12,467	367	17	196	166	314	297	263,596
Depreciation												
As at 31 March 2016	-	650	146	9,320	789	18	4	41	22	66	41	11,097
Charge for the year	-	644	72	9,363	781	18	4	34	23	70	41	11,050
Disposals	-	-	-	(4)	-	-	-	-	-	-	-	(4)
As at 31 March 2017	-	1,294	218	18,679	1,570	36	8	75	45	136	82	22,143
Charge for the year	-	554	32	9,607	782	20	2	31	24	51	47	11,150
Disposals	-	-	-	(777)	-	-	-	-	-	(1)	-	(778)
As at 31 March 2018	-	1,848	250	27,509	2,352	56	10	106	69	186	129	32,515
Net Block												
As at 31 March 2017	7,801	6,778	457	186,647	10,879	201	7	97	102	138	154	213,261
As at 31 March 2018	8,111	7,119	426	204,509	10,115	311	7	90	97	128	168	231,081

Notes:

- (a) The Group has deducted exchange gains arising on long-term foreign currency loan, amounting to INR 94 million (31 March 2017 : gain of INR 2,712 million) from the cost of property, plant and equipment.
(b) For lein /charge against property, plant and equipment refer note 11.1 and 11.2



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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

	31 March 2018	31 March 2017
3.2 Capital work in progress		
Opening balance	18,922	5,126
Add: Additions during the year	26,901	14,826
Add: Expenditure during the year		
- Employee benefits expense (note 19)	360	119
- Finance costs (note 22)	391	190
- Other expenses (note 20)	28	9
- Foreign exchange differences (net)	6	(45)
Less: Assets capitalised during the year	(29,621)	(1,303)
	16,987	18,922

4. Intangible assets

	Computer Software	Total
Gross block		
As at 31 March 2016	937	937
Additions	84	84
As at 31 March 2017	1,021	1,021
Additions	69	69
As at 31 March 2018	1,090	1,090
Amortisation		
At 31 March 2016	334	334
Charge for the year	337	337
As at 31 March 2017	671	671
Charge for the year	279	279
As at 31 March 2018	950	950
Net block		
As at 31 March 2017	350	350
As at 31 March 2018	140	140

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HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

5. Financial assets
5.1. Loans (at amortised cost)

Security deposit

Non-current		Current	
31 March 2018	31 March 2017	31 March 2018	31 March 2017
215	178	2	3
215	178	2	3

5.2. Other bank balances

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

– Deposits with original maturity of more than 12 months *

Non-current		Current	
31 March 2018	31 March 2017	31 March 2018	31 March 2017
-	-	400	897
27	27	-	-
27	27	400	897

* pledged with banks

5.3. Trade receivables (at amortised cost)
Unsecured and considered good

Trade receivables

Current	
31 March 2018	31 March 2017
20,430	13,536
20,430	13,536

Notes :

The credit period on the trade receivables ranges from a period of 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 2018 and 31 March 2017, major dues relate to receivables from a single customer which is a related party.

5.4. Cash and cash equivalents
Balances with banks:

– On current accounts

– Deposits with original maturity of upto 3 months

Current	
31 March 2018	31 March 2017
67	204
-	522
67	726

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.

5.5. Other financial assets
Derivative instruments at fair value through profit or loss

Commodity forward contracts

Interest rate swaps

Non-current		Current	
31 March 2018	31 March 2017	31 March 2018	31 March 2017
-	-	1	-
806	276	87	-
806	276	88	-

Other financial assets (at amortised cost)

Interest accrued but not due

Others

Balance recoverable on settled commodity derivative contracts

8	5	19	39
-	-	30	-
-	-	5	218
8	5	54	257
814	281	142	257

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

6. Deferred tax

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

6.1 Deferred tax assets (net)

	31 March 2018	31 March 2017
Balance at the beginning of the year	11,645	18,637
Balance at the end of the year	9,394	11,645
Deferred tax charge recognised:	2,251	6,992
in the consolidated statement of profit and loss	2,251	6,992
in the consolidated statement of other comprehensive income	-	3

6.2 Deferred tax liabilities (net)

	31 March 2018	31 March 2017
Balance at the beginning of the year	2,989	3,070
Balance at the end of the year	1,656	2,989
Deferred tax credit recognised in the consolidated statement of profit and loss	(1,333)	(81)
Net Deferred tax charge recognised in the consolidated statement of profit and loss	918	6,911
in the consolidated statement of profit and loss		
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit plans	-	3

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

	31 March 2018	31 March 2017
Accounting profit before income tax	21,850	42,512
At India's statutory income tax rate of 34.944% (31 March 2017: 34.608%)	7,635	14,713
Tax effect of :		
-Gain on settlement of central sales tax exempted from tax	(1,618)	(1,953)
-Foreign exchange fluctuation differences on non-current borrowings :		
(i) Acquired prior to 31 March 2016 and adjusted to cost of property, plant and equipment	-	(938)
(ii) Acquired post 1 April 2016 and taken to statement of profit and loss	-	(229)
(iii) Allowable tax expense due to introduction of section 43AA of Income Tax Act 1961	961	
-Derivative instruments	(283)	-
-Corporate social responsibility expenses	81	-
-Previously unrecognised MAT recognised during the year	-	(205)
-Temporary differences reversing in tax holiday period	-	195
-Impact due to revision in estimate for claiming section 80IA of Income Tax Act, 1961	(1,502)	-
-Charge in respect of adjustment of the prior period unabsorbed depreciation and carried forward losses	190	10
-Impact due to change in tax rate	97	
-Others	21	47
At India's statutory income tax rate of 25.54% (31 March 2017: 27.38%)	5,582	11,640
At India's statutory tax rate for capital gains of 23.296% (31 March 2017: 23.072%)		
Difference between book value and indexed cost of land	(26)	(34)
	(26)	(34)
At the effective income tax rate of 25.42% (31 March 2017: 27.30%)	5,556	11,606

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

6.4 Composition of deferred tax balances

	31 March 2018	31 March 2017
Deferred tax liabilities		
Difference in the book base and tax base of property, plant and equipment	39,462	34,273
Foreign exchange differences	961	-
Gross deferred tax liabilities	40,423	34,273
Deferred tax assets		
Derivative contracts	99	223
Inventory of spares	192	168
Exploration costs charged off	204	186
Unabsorbed depreciation	30,228	27,742
Carried forward tax losses	7,721	9,627
Unrealised profits on intragroup transactions	66	21
Employee benefits obligation	52	-
Minimum alternate tax (MAT)	9,599	4,961
Gross deferred tax assets	48,161	42,928
Net deferred tax assets	7,738	8,655
Aggregate amount of deferred tax liability (net) in component of the Group	1,656	2,989
Aggregate amount of deferred tax asset (net) in component of the Group	9,394	11,645

Note :

(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 ('H MEL') 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.

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

7. Tax assets (net)

	Non-current	
	31 March 2018	31 March 2017
Advance income-tax (net of provision)	1,019	489
	1,019	489

Net of provision for income tax of INR 9,998 million (31 March 2017 : INR 611 million)

8. Other assets

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Capital advances	2,032	378	-	-
Advances other than capital advances	177	166	106	71
	2,209	544	106	71
Others				
Balances with statutory/government authorities	90	87	850	2,377
Prepaid expenses	424	271	612	643
Export incentive receivable	-	-	1	10
	514	358	1,463	3,030
	2,723	902	1,569	3,101

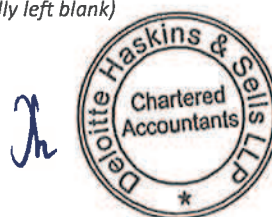
9. Inventories

	31 March 2018	31 March 2017
Raw materials	43,275	31,347
Work-in-progress	10,786	10,875
Finished goods	6,159	11,535
Stores and spares	5,756	5,155
	65,976	58,912

Notes:

- (a) Raw materials includes stock in transit of INR 13,602 million (31 March 2017 : INR 6,452 million)
- (b) The cost of inventories recognised as an expense includes INR 50 million (31 March 2017 : INR 713 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.
- (d) The cost of inventories recognised as an expense during the year in respect of the Group's operations is INR 248,586 million (31 March 2017 : INR 219,883 million)

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

10. Equity share capital

	31 March 2018	31 March 2017
(a) Authorised shares (numbers in million)		
10,000 (31 March 2017 : 10,000) equity shares of INR 10 each	100,000	100,000
(b) Issued, subscribed and fully paid up shares (numbers in million)		
8,041 (31 March 2017 : 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 2018		For the year ended 31 March 2017	
	No. million	INR million	No. million	INR million
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 2018		For the year ended 31 March 2017	
	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 ownerships 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.



HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

11. Financial Liabilities
11.1 Borrowings

(at amortised cost)

Debentures (Secured)

2,000 (Previous year: 2,000) 4% Non Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'j')

2,946

2,735

-

-

3,400 (Previous year: 3400) 4% Non Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')

15,231

14,093

-

-

743 (Previous year: 2,062) 4% Non Convertible Debentures of INR 3 million each fully paid up (Series II) (refer 'j')

342

8,518

2,971

-

Debentures (Unsecured)

5.250% Senior unsecured notes (refer 'b')

24,010

-

-

-

Term loans (Secured)

Indian rupee loan from banks (refer 'c')

10,000

-

-

-

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

89,981

126,346

919

4,337

Term loans (Unsecured)

Foreign currency loan from banks (refer 'g')

14,357

14,393

-

-

Indian rupee loan from banks (refer 'h')

4,500

-

-

-

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

3,475

2,630

10

-

The above amount includes

Secured borrowings

118,500

151,692

3,890

4,337

Unsecured borrowings

46,342

17,023

10

-

Less: Amount disclosed under the head "other current liabilities" (note 11.4)

-

-

(3,900)

(4,337)

Net amount

164,842

168,715

-

-

Notes:
With respect to loans taken by HPCL-Mittal Energy Limited :

(a) 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 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% .

(b) US Dollar redeemable 5.25% 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% .

(c) Indian rupee loan of INR 10,000 million (31 March 2017 : Nil) outstanding is secured by a hypothecation through a residual charge over movable fixed assets of the Company. The loan is repayable in a bullet installment after 18 months from the date of first disbursement. The loan carries an interest rate of 1 year MCLR (Presently 8.50% p.a)

(d) Foreign currency loan from banks equivalent to INR 2,846 million (31 March 2017 : INR 34,826 million) inclusive of unamortised ancillary borrowing cost of INR 31 million (31 March 2017 : 38 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. Further, these lenders hold second pari-passu charge on the current assets, 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. These loans are repayable in 3 variable annual installments starting from February 2022 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.

(e) Foreign currency loan from banks equivalent to INR 7,158 million (31 March 2017 : Nil), inclusive of unamortised ancillary borrowing cost of INR 82 million (31 March 2017 : Nil) are secured by a mortgage through a first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future, except any assets in relation to the petrochemical project. Further, these lenders hold a second pari-passu charge on the current assets for both present and future, except any assets in relation to the petrochemical project, hold first pari-passu charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement. These loans are repayable as below:

INR 4,922 million in 3 variable annual installments starting from April 2022 and carry interest rate of 3 month LIBOR plus a spread of 204 bps. INR 2,236 million in 3 variable annual installments starting from June 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(f) Foreign currency loan from banks equivalent to INR 64,193 million (31 March 2017: INR 79,515 million) inclusive of unamortised ancillary borrowing cost of INR 97 million (31 March 2017 : 420 million) is secured by a mortgage through a first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future, save and except current assets on which these lenders have a second pari-passu charge; however they 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. The outstanding loan are repayable as under:

(i) INR 45,045 million is repayable in 40 variable quarterly installments starting from 30 June 2018 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.

(ii) INR 19,148 million is repayable in 16 variable quarterly installments starting from March 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.

(g) (i) Unsecured foreign currency loan equivalent to INR 4,739 million is repayable in a bullet installment after 82 months from the final drawdown (expected repayment in January 2024). The loan carries an interest rate of 6 month LIBOR plus a spread of 240 bps.

(ii) Unsecured foreign currency loan equivalent to INR 9,618 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 (i) and (ii) are backed by a letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited.

(h) Unsecured rupee loan equivalent to INR 3,000 million is repayable after 18 months from the date of first disbursement and rupee loan of INR 1,500 million is repayable in installments from 13th month to 18th month from the date of drawdown. These loans carry an interest rate of MCLR of respective banks ranging from 8.00% to 8.70% p.a.

(i) Loan from Punjab Government is interest free and is repayable in 10 equal half yearly installments commencing after 66 months from the date of disbursement. Repayment will commence from March 2019. The said loan was initially measured at fair value using a rate of interest of 11% p.a. Also refer note 29.

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

j) Secured redeemable Non-Convertible Debentures (NCDs) Series I and Series II were issued at par on 04 October 2012 and 21 August 2012 respectively. These are secured by a first pari passu charge on fixed assets 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 05 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, INR 1.12 million per STRPP/debenture respectively on 21 August 2020, 21 August 2021, 21 August 2022 being the 8th, 9th and 10th year respectively from the date of allotment. During the current year, the Company has redeemed debentures aggregating to INR 3,950 million (31 March 2017 : 325 million) before the due date of maturities. The EIR on these is 10.75% .

k) Foreign currency loan from banks equivalent to INR 17,074 million (31 March 2017 :INR 17,020 million) inclusive of unamortised ancillary borrowing cost of INR 161 million (31 March 2017 : INR 219 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 260 bps. The loan is repayable in two instalment of INR 5,691 million and INR 11,383 million on 31 March 2021 and 22 April 2021 respectively.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

11.2 Borrowings

Short Term loans

	31 March 2018	31 March 2017
Foreign currency loan from banks (secured) (refer 'a')	15,571	17,258
Indian rupee loan from banks (unsecured) (refer 'b')	4,955	-
Indian rupee loan from banks (secured) (refer 'c')	28	3,217
Indian rupee bill discounting (refer 'd')	1,150	-
Indian rupee loan from banks (refer 'e')	817	-
	22,521	20,475

Notes :

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

(a) Secured foreign currency loans from banks are secured by a first charge, ranking pari-passu amongst the lenders, on all current assets of the Company, 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 fixed assets of the Company, both present and future. The loan carries an interest rate which is determined and fixed on date of availing of the loan which is presently between 1.85% p.a. to 2.52% p.a. These loans are repayable in a period of 44 to 329 days from the date of drawdown.

(b) INR 4,955 million represents Commercial Paper of face value INR 5,000 million issued to investors on unsecured basis. The loan carries an interest rate which is determined and fixed on the date of availing of the loan which is presently at 7.25% p.a. This loan is repayable in May 2018.

(c) INR 28 million Indian rupee loan represents overdraft on fixed deposit which is secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company, 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 fixed assets of the Company, both present and future. The loan carries an interest rate of 6.75% p.a.

(d) INR 1,150 million Indian rupee working capital loan are secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company, save and except deposits and accounts under the trust and retention account and have a second charge ranking pari-passu on all moveable and immovable fixed assets of the Company, both present and future. These loans carry an interest rate of 7.95% p.a. and are repayable within one month from the date of disbursement.

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

(e) Secured Indian rupee loan to be repaid in 6 months from each date of draw down and carries an interest rate of 8% p.a. The said loan is secured on residual charge basis over movable fixed assets of the Company.

11.3 Trade payables

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Total outstanding dues of micro enterprises and small enterprises (refer note 34 for details of dues to micro and small enterprises)	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises*	-	-	38,861	34,535
Acceptances**	-	-	11,127	-
	-	-	49,988	34,535

*Majority of trade payables relate to crude oil purchases having an average interest free credit period of 30 days. The Group 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 (financing facility) for which the Company bears the financing charge of 3 month LIBOR plus spread 30 to 39 basis points. As per the 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.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

11.4 Other financial liabilities

	Non-Current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Financial liabilities at fair value through profit or loss				
Commodity forward contracts	-	-	252	135
Foreign exchange forward contracts	-	-	-	4
Interest rate swaps	1	22	-	-
	1	22	252	139
Other financial liabilities at amortised cost				
Current maturities of non-current borrowings (note 11.1)	-	-	3,901	4,337
Security deposits received	-	-	183	177
Commodity hedging payable	-	-	49	-
Liability towards project vendors	-	-	3,891	4,846
Liability towards exploration activities *	-	-	225	180
Interest accrued but not due on borrowings	-	-	1,395	968
	-	-	9,644	10,508
	1	22	9,896	10,647

*Includes INR 208 million (31 March 2017 : INR 163 million) representing the Group's obligation towards the unfinished minimum work programme for its domestic E&P block at Rajasthan viz. RJ-ONN-2005/2.

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

11.5 Reconciliation of liabilities arising from financing activities

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

	Non-current	Current
As at 1 April 2017	173,052	20,475
Net additions/(repayment)	(4,200)	1,995
Other movements*	(110)	51
As at 31 March 2018	168,742	22,521

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

(b) During the year 'Gain on settlement of deferred sales tax loan' of INR 4,635 million has been reclassified from 'cash flow from financing activities' to 'cash flow from operating activities' in the consolidated cash flow statement. Previously, this was included and presented as part of cash flow from financing activities.

12. Provisions

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Provision for employee benefits				
Provision for gratuity (note 28)	-	-	72	66
Provision for compensated absences	66	-	11	49
	66	-	83	115
Other provisions				
Provision towards project vendors (refer 'a')	-	-	1,696	229
Provision towards potential claims (refer 'b')	994	893	-	-
	994	893	1,696	229
	1,060	893	1,779	344

Notes :

(a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2017 of INR 229 million has been reduced by INR 180 million on account of settlement with the vendors. Further, additional provision amounting to INR 1647 million has been created 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 893 million as on 1 April 2017 has increased due to additional provision made during the year of INR 3 million and unwinding of discount of INR 98 million.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

13. Other liabilities

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Advance from customers	-	-	374	309
Statutory dues payable	-	-	3,216	4,674
Government incentives*	3,065	2,864	493	388
Total other liabilities	3,065	2,864	4,083	5,371

* Movement in government incentives

	31 March 2018	31 March 2017
At the beginning of the year	3,252	2,686
Received during the year	694	847
Released to the consolidated statement of profit and loss (note 22)	(388)	(281)
At the end of the year	3,558	3,252

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

Liabilities for income tax (net of taxes paid)

Current	
31 March 2018	31 March 2017
-	827
-	827

Net of income tax paid of INR Nil (31 March 2017 : INR 3,922 million)

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

15. Revenue from operations

Sale of products (including excise duty)

Finished goods

31 March 2018	31 March 2017
399,431	424,886
399,431	424,886

Sale of goods includes excise duty collected from customers of INR 121,423 million (31 March 2017: INR 153,149 million).

Productwise sales

Solid products

Liquid products

31 March 2018	31 March 2017
36,655	43,918
362,776	380,968
399,431	424,886

16. Other income

(a) Interest income on financial assets carried at amortised cost

Bank deposits

Deposits and others

65	77
13	43

(b) Other non-operating income

Provision no longer required written back

Insurance claims received

Liability towards vendors no longer required written back

Miscellaneous income

15	-
90	33
1,423	8
308	153

(c) Other gains and losses

Gain on sale of current investments (net)

Gain on settlement of deferred sales tax loan (note 29)

Foreign exchange difference (net)

Fair value gain on derivative contracts (net)

107	58
4,635	5,797
418	2,577
503	-

7,577 **8,746**

17. Cost of raw materials consumed

Inventory at the beginning of the year

Add: Purchases

Less: Inventory at the end of the year

31 March 2018	31 March 2017
31,347	15,942
238,275	229,831
(43,275)	(31,347)
226,347	214,426

Note : Includes material consumed of INR 10,451 million (31 March 2017 : INR 11,540 million) as fuel for in house power and steam generation.

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HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

18. (Increase)/decrease in inventories

	31 March 2018	31 March 2017
Inventories at the beginning of the year		
-Work-in-progress	10,875	5,500
-Finished goods	11,535	5,509
Inventories at the end of the year		
-Work-in-progress	(10,786)	(10,875)
-Finished goods	(6,159)	(11,535)
Net (Increase)/decrease in inventories	5,465	(11,401)

19. Employee benefits expense

	31 March 2018	31 March 2017
Salaries, wages and bonus	2,556	2,138
Contribution to provident fund (note 28.1)	146	124
Gratuity expense (note 28.2)	57	52
Compensated absences	82	43
Staff welfare expenses	244	289
	3,085	2,646
Less: Transferred to capital work in progress (note 3.2)	(360)	(119)
	2,725	2,527

20. Other expenses

	31 March 2018	31 March 2017
Consumption of chemicals, stores and spares	2,221	2,312
Power and fuel	999	822
Repairs and maintenance		
-Buildings	14	11
-Plant and machinery	873	858
-Others	313	289
Facility maintenance	365	349
Professional and consultancy fees	151	248
Rent	252	257
Commission on sales	134	161
Rates and taxes	16	19
Insurance	722	806
Travelling and conveyance	257	244
Sales promotion expenses	10	6
Freight Outward	220	293
Excise duty /Goods and Service Tax (GST) reversal on exempted finished goods	732	100
Increase/(decrease) of excise duty on inventories	(2,672)	1,330
Fair value loss on derivative contracts (net)	-	1,086
Loss on discard of property plant and equipment	558	48
Corporate social responsibility expenditure (refer note 'a' below)	230	30
Miscellaneous expenses	830	1,027
	6,225	10,296
Less: Transferred to capital work in progress (note 3.2)	(28)	(9)
	6,197	10,287



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

a) Details of CSR expenditure

	31 March 2018	31 March 2017
Gross amount required to be spent by the Group during the year	228	-
Amount spent during the year	-	-
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	230	30
	230	30

21. Depreciation and amortisation expense

	31 March 2018	31 March 2017
Depreciation property, plant and equipment (note 3.1)	11,150	11,050
Amortisation of intangible assets (note 4)	279	337
	11,429	11,387

22. Finance costs

	31 March 2018	31 March 2017
Interest cost	10,748	9,902
Exchange difference to the extent considered as an adjustment to borrowing cost	1,147	790
Bank charges	213	183
Interest rate swap - settlement	100	237
Unwinding of discount on long term provisions	98	90
	12,306	11,202
Less: Interest cost capitalised (note 3.2)	(391)	(190)
Less: Government incentives (note 13)	(388)	(281)
	11,527	10,731

23. Earnings per share (EPS)

	31 March 2018	31 March 2017
The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:		
Profit after tax as per Statement of Profit and Loss (used for both calculation of basic and diluted EPS)	16,294	30,906
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)	2.03	3.84
Diluted - Par value of INR 10 per share (in INR)	2.03	3.84

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

(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)

24.2 Transactions with related parties

Particulars	Joint Venture companies having significant influence				Key management personnel	
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		31 March 2018	31 March 2017
Transactions during the year	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Allocation of expenses	143	156	-	-	-	-
Reimbursement of expenses paid/ payable	6	5	-	-	-	-
Purchase of goods	913	1,331	-	-	-	-
Purchase of services	-	-	-	-	-	-
Sale of goods (inclusive of taxes)	376,232	387,209	-	-	-	-
Sales of spares	2	-	-	-	-	-
Remuneration paid to key managerial personnel:						
(i) short-term employment benefits	-	-	-	-	104	92
(ii) post-employment benefits	-	-	-	-	13	8
(iii) other long term benefits	-	-	-	-	2	1
(iv) termination benefits	-	-	-	-	1	-
(v) sitting fees	-	-	-	-	4	2

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Balance outstanding				
Trade receivable	19,961	13,202	-	-
Other financial assets -others	14	11	-	-
Trade payable	99	83	-	-

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 2018, 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 by virtue of its control over HPCL, who has a significant influence over the Group. The Group has entered into multiple transactions, including but not restricted to purchase and sale of goods and services (including capital goods) and availed loans and paid/accrued interest on the same with GOI and entities who are related parties of the GOI.



25. Financial Instruments

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

Particulars	31 March 2018			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	217	217	217
Trade receivables	-	20,430	20,430	20,430
Cash and cash equivalents	-	67	67	67
Other bank balances	-	427	427	427
Other financial assets (current)	88	54	142	142
Other financial assets (non-current)	806	8	814	814
Total Financial assets	894	21,203	22,097	22,097
Financial liabilities				
Borrowings (current)	-	22,521	22,521	22,521
Borrowings (non-current)*	-	168,742	168,742	169,236
Trade payables	-	49,988	49,988	49,988
Other financial liabilities (current)	252	5,743	5,995	5,995
Other financial liabilities (non-current)	1	-	1	1
Total Financial liabilities	253	246,994	247,247	247,741
31 March 2017				
Particulars	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	181	181	181
Trade receivables	-	13,536	13,536	13,536
Cash and cash equivalents	-	726	726	726
Other bank balances	-	924	924	924
Other financial assets (current)	-	257	257	257
Other financial assets (non-current)	276	5	281	281
Total Financial assets	276	15,629	15,905	15,905
Financial liabilities				
Borrowings (current)	-	20,475	20,475	20,475
Borrowings (non-current)*	-	173,052	173,052	185,199
Trade payables	-	34,535	34,535	34,535
Other financial liabilities (current)	139	6,170	6,309	6,309
Other financial liabilities (non-current)	22	-	22	22
Total Financial liabilities	161	234,232	234,393	246,540

* includes current maturities of non-current borrowings

(a) The carrying amounts of all the financial instruments mentioned in the table above except borrowings 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 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.

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 2018			31 March 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets - current						
Other financial assets (derivative assets)		88			-	
Financial assets - non current						
Other financial assets (derivative assets)		806			276	
Financial liabilities - current						
Other financial liabilities (derivative liability)		252			139	
Financial liabilities - non current						
Other financial liabilities (derivative liability)		1			22	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

26. Financial risk management

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the 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 FRMC/CRMC comprises of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and some other senior executives of the Group.

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 2018, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2017: more than 90%) of the trade receivables is from a related party. In respect to the bank deposits the Group 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 notes 5.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(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 the Group financial liabilities are presented below:-

31 March 2018	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	12,912	74,929	112,125	32,667	232,633
Borrowings (current)	22,521	-	-	-	22,521
Trade payable	49,988	-	-	-	49,988
Other financial liabilities	5,743	-	-	-	5,743
Payments for operating leases	73	154	197	118	542
Derivative financial liabilities	252	1	-	-	253

31 March 2017	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	11,527	68,788	127,676	19,909	227,900
Borrowings (current)	20,475	-	-	-	20,475
Trade payable	34,535	-	-	-	34,535
Other financial liabilities	6,171	-	-	-	6,171
Payments for operating leases	56	150	197	157	560
Derivative financial liabilities	139	22	-	-	161

* includes current maturities of non-current borrowings

(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 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 2018 and 31 March 2017 would have affected profit or loss 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 1% movement	31 March 2018		31 March 2017	
	Strengthening	Weakening	Strengthening	Weakening
USD	1,941	(1,941)	1,943	(1,943)
JPY	-	-	5	(5)
EURO	2	(2)	4	(4)
	1,943	(1,943)	1,952	(1,952)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(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 raised at 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 2018 would decrease/increase by INR 562 million (31 March 2017 : INR 958 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.

(c.3) Commodity price risk

The Group is exposed to market risks related to price volatility of crude oil and sale price of its refined products. The Group 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 primarily as risk management tool to safeguard the price basis risk on purchase of crude oil on different benchmark basis, price timing mismatches on crude oil and product pricing mismatches and safeguard product margins on sale of refined products. HMEI employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. On 31 March 2018 some of these hedging positions on timing mismatches, benchmark mismatches and product margins(time swaps, basis swaps and product swaps) remained open to be settled at a later date. Previous year timing mismatch hedge positions remained open as at 31 March 2018.

The impact of increase or decrease by \$1/bbl on open hedges as on 31 March 2018 assuming all other variables remain constant is as under:

Increase or decrease by \$1/bbl in crude price is INR Nil (31 March 2017 : INR 191 million)

Increase or decrease by \$1/bbl in dated brent dubai differential is INR 124 million (31 March 2017 : Nil)

Increase or decrease by \$1/bbl in FO Dubai differential is INR 124 million (31 March 2017 : Nil)

Increase or decrease by \$1/bbl in Singapore gasoil 10 PPM cracks is INR 98 million (31 March 2017 : Nil)

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

27. Capital management

The Group 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 2018 and 31 March 2017.

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

	31 March 2018	31 March 2017
Equity including retained earnings	92,095	75,805
Borrowings considered as equity *	14,357	14,393
Total equity (a)	106,452	90,198
Non-current borrowings (b)	154,386	158,659
Total capital (c) = (a) + (b)	260,838	248,857
Long term borrowings (b) / Total capital (c)	59%	64%

*Borrowing backed by letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited, aggregating to INR 14,537 million (31 March 2017 : INR 14,393 million) has been treated as equity and excluded from long term borrowings above.

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

28. Employee benefits

28.1 Defined contribution plan

The Group makes contribution towards provident fund for employees. The Company'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 149 million (31 March 2017 : INR 124 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) Net employee benefit expenses recognized in employee benefits expense

(a) Expense recognized in the consolidated statement of profit and loss

Particulars	31 March 2018	31 March 2017
Current service cost	52	47
Net interest expenses	5	5
Amount to be recognised in the consolidated statement of profit and loss	57	52

(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2018	31 March 2017
Expected return on plan assets (excluding amounts included in net interest expense)	(1)	(4)
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	-	-
- From changes in financial assumptions	(19)	15
- Experience adjustments	24	2
Amount to be recognized in the consolidated statement of other comprehensive income	4	13

(ii) Benefit assets/(liability)

Particulars	31 March 2018	31 March 2017
Present value of defined benefit obligation	335	266
Fair value of plan assets	263	200
Plan liability	(72)	(66)

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 and has been certified by them.

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

Particulars	31 March 2018	31 March 2017
Opening defined benefit obligation	266	194
Current service cost	53	47
Interest cost	19	15
Benefits paid	(9)	(7)
Actuarial (gain)/loss on obligation	6	17
Closing defined benefit obligation	335	266

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

Particulars	31 March 2018	31 March 2017
Opening fair value of plan assets	200	144
Expected return	16	11
Contributions by employer	55	48
Fund charges	*	*
Benefits paid	(9)	(7)
Actuarial gain/(loss)	1	4
Closing fair value of plan assets	263	200

* Amounts are less than INR 0.5 million.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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

Particulars	31 March 2018	31 March 2017
Discount rate	7.80%	7.35%
Future salary increase	6.50%	6.50%
Attrition rate		
- Up to 30 years	3.00%	3.00%
- From 31 to 44 years	2.00%	2.00%
- Above 44 years	1.00%	1.00%

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 2018 is as shown below:

Assumptions	Sensitivity Level	31 March 2018	31 March 2017
Discount rate	0.5 % increase	(19)	(16)
	0.5 % decrease	22	17
Future salary increases	0.5 % increase	12	12
	0.5 % decrease	(12)	(12)

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 2018	31 March 2017
Investment with insurer	100%	100%

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

(vi) Risk exposure

The Group is exposed to the following risk:

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

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

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

(vii) The Group expects to contribute INR 69 million (31 March 2017 : INR 59 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2018	31 March 2017
0 to 1 year	40	29
1 to 2 year	26	3
2 to 3 year	8	6
3 to 4 year	8	10
4 to 5 year	7	9
5 to 6 year	5	11
6 year onwards	241	198
	335	266

(ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 20.18 years (31 March 2017 : 20.37 years) of the Company and 20.63 years (31 March 2017 : 21.02 years) of HMPL.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

(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 in line with the above option has settled gross CST liability of INR 35,531 million (31 March 2017 : INR 29,639 million) as at 31 March 2018, for a Net Present Value (NPV) of INR 6,255 million (31 March 2017 : INR 4,998 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, an amount of INR 4,635 million (31 March 2017 : INR 5,797 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 recognized and approved by the Empowered Committee of GoP. The said loan is required to be repaid in 10 equal half yearly instalments after expiry of 66 months from the date of disbursement. Accordingly, as of 31 March 2018 an amount of INR 12,500 million (31 March 2017 : INR 12,500 million) was due to the Company towards IFL against which an amount of INR 100 million only was disbursed. 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 6,255 million, as mentioned above, and has a resultant gross IFL of INR 6,355 million (31 March 2017 : INR 5,098 million), including INR 100 million received earlier in cash, payable to GoP. The gross IFL of INR 6,355 million (31 March 2017 : INR 5,098 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)

During the current year ended 31 March 2018, pursuant to the provisions of section 71(4) of the Companies Act, 2013, the HMEL has created debenture redemption reserve amounting to INR 3,865 million (31 March 2017: Nil). HMPL has not created DRR in the current year in view of the accumulated losses. Group has not created DRR till the year ended 31 Marh 2017 in view of the accumulated losses.

31. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 59,058 million (31 March 2017 : INR 11,248 million) net of advances amounting to INR 2,032 million (31 March 2017: INR 378 million).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

32. Segment reporting

For management purposes, the Group is organised into business units based on its operations and has two reportable segments, as follows:

- Crude oil refining

The Group has a petroleum refinery at Bathinda, Punjab. During the year the capacity of the refinery has increased from 9 Million Metric Tonne Per Annum (MMTPA) to 11.3 MMTPA.

-Exploration and production of crude oil

The Group has participating interest in one domestic E&P block at Rajasthan viz. RJ-ONN-2005/2 with a participating interest of 20% (previous period 20%) which is in the nature of jointly controlled asset and operated by third party. This block is in exploratory stage.

The CODM (chief executive officer, chief financial officer, chief operating officer) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss.

No operating segments have been aggregated to form the above reportable operating segments.

Particulars	Crude oil refining		Exploration and production of crude oil		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Revenue						
External revenue	399,431	424,886	-	-	399,431	424,886
Total revenue	399,431	424,886	-	-	399,431	424,886
Result						
Segment profit / (loss)	28,276	43,972	(45)	(14)	28,231	43,958
Add: Unallocated income					326	3,310
Operating profit / (loss)					28,558	47,268
Finance cost					(11,527)	(10,731)
Interest income					78	120
Gain on sale of current investments (net)					107	58
Gain on settlement of deferred sales tax loan					4,635	5,797
Profit / (loss) before tax					21,851	42,512
Tax charge/ (credit)					5,556	11,606
Net profit / (loss) for the period					16,295	30,906
Capital expenditure	29,316	12,533	45	14	29,361	12,547
Depreciation	11,429	11,387	-	-	11,429	11,387
Exploration costs written off	-	-	45	14	45	14

Note: Capital expenditure includes exchange differences that have been capitalised.

Other information

Particulars	Crude oil refining		Exploration and production of crude oil		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Segment assets	339,128	309,383	-	-	339,128	309,383
Unallocated assets	-	-	-	-	11,857	14,104
Total assets	339,128	309,383	-	-	350,985	323,487
Segment liabilities	60,793	45,935	225	180	61,018	46,115
Unallocated liabilities	-	-	-	-	197,873	201,567
Total liabilities	60,793	45,935	225	180	258,891	247,682

Revenue of INR 364,954 million (31 March 2017 : INR 376,309 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 2018 and 31 March 2017.

Geographical Segments

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 2018	31 March 2017	31 March 2018	31 March 2017
India	248,209	232,533	398,860	423,602
Outside India	-	-	571	1,284
Total	248,209	232,533	399,431	424,886

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

33. Contingent liabilities not provided for and other litigations

(a) Contingent liabilities - Claims against the Group not acknowledged as debt.

S.No.	Particulars	31 March 2018	31 March 2017
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation/ crop compensation	330	476
3.	Claims raised by project vendors	2,764	2,845
4.	Penalty and interest demand raised by income tax department	323	306
5.	Demand for service tax and penalty raised by service tax department	357	565
6.	Disallowance of cenvat credit and levy of excise duty by department including interest and penalty	1,067	1,057

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.

(b) Other litigations

Additionally, the Group has some other tax disputes of INR 729 million (31 March 2017 : INR 688 million) against which liability has been assessed as probable and adequate provisions have been made with respect to the same. Further, with respect to other litigations of INR 8 million (31 March 2017 : INR 8 million), no provision/ disclosure is required as the liability on account of the same is assessed as remote.

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 2018. 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 2018	31 March 2017
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	Nil	Nil

35. Leases: Operating leases

The Group has entered into lease arrangements for office premises, guest houses and car terms varying between 3 to 6 years. There are no restrictions imposed by lease arrangements. There are no subleases. There is no contingent rent. The lease agreements do not carry any significant escalation clause.

The operating lease payment recognised in the consolidated statement of profit and loss of the Group amounts to INR 252 million (31 March 2017 : INR 257 million). The future minimum lease amounts under non cancellable operating leases and operating leases having lock in periods are as follows:

Particulars	31 March 2018	31 March 2017
Not later than one year	72	56
Later than one year and no longer than five years	193	189
Later than five years	276	315



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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 2018	31 March 2017
Share Capital	12,230	12,230
Reserves and surplus	(2,754)	(4,065)
Total Assets	39,405	41,129
Total Liabilities	29,929	32,964
Turnover	7,755	7,782
Profit/(loss) before taxation	(21)	347
Tax expense/ (credit)	(1,333)	(7)
Profit/(Loss) after taxation	1,312	354
% of shareholding	100%	100%

37. Additional Statutory Information in respect of the components of the Group

	Net Assets/(Liabilities) (total assets minus total liabilities)			
	31 March 2018		31 March 2017	
	Amount	As % of Consolidated net assets /(liabilities)	Amount	As % of Consolidated net assets /(liabilities)
HMEL	94,976	103	79,910	105
HMPL	9,476	10	8,165	11
Sub Total	104,452	113	88,075	116
Elimination *	(12,357)	(13)	(12,270)	(16)
Consolidated	92,095	100	75,805	100

Particulars	Share in total comprehensive income			
	31 March 2018		31 March 2017	
	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated profit/ (loss)
HMEL	15,066	93	30,413	99
HMPL	1,311	8	354	1
Sub Total	16,377	101	30,767	100
Elimination *	(87)	(1)	129	0
Consolidated	16,290	100	30,896	100

* Adjustments for intra group transaction and / or balances

38. Events after the reporting period

Dividend

The Board of Directors of HMEL has proposed a dividend of INR 0.126 per share amounting to Rs 1,020 million (excluding Dividend distribution tax) for the year ended 31 March 2018 on fully paid equity shares which is subject to approval by the shareholders at the Annual General Meeting. This has not been included as liability in the financial statements.

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

Vinod S. Shenoy
Director
DIN 07632981

Rajan Tandon
Director
DIN 01968916

Harish Das
Managing Director &
Chief Executive Officer
DIN 00164799

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia
Chief Financial Officer



Place: Mumbai
Date: 8 May 2018