

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of HPCL-Mittal Energy Limited ("the Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31 March, 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information, which includes a joint operation accounted on proportionate basis.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March, 2022, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



Sr. No.	Key Audit Matter	Auditor's Response
1	Settlement of deferred central sales tax liabilities (Refer Notes 2(g) and 29 to the consolidated financial statements): As per its entitlement, the Group has adjusted the undisbursed Interest Free Loan (IFL) with net present value of deferred Central Sales Tax (CST) liabilities, which is computed by applying judgements in relation to the adjustment and the basis of computation of net present value of CST. Hence it is considered as a key audit matter.	Principal audit procedures performed: • reviewed the relevant terms of the Deed of Assurance (DoA) and the legal opinions obtained by the Group; • considered the competence, independence and objectivity of the management's experts (legal advisor); • verified the basis and mathematical accuracy of the computation of the net present value of the CST liability and its adjustment with undisbursed Interest Free Loan (IFL) based on the terms of the DoA and the legal opinions; and • reviewed the correspondences with relevant departments, assessment orders, appeals filed and assessed the implications, if any, on the books of account.
2	Recognition of deferred tax assets (Refer Notes 2(g)(vi), 6.4 and 6.5 to the consolidated financial statements): The Group has recognised Deferred Tax Assets (DTA) on carry forward tax losses and unabsorbed depreciation on the basis of estimated future profits and its timing against which tax deductions represented by the DTAs can be offset. The assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment and hence, it is considered as a key audit matter.	Principal audit procedures performed: • evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the current tax and deferred tax computations including the assessment of recoverability of deferred tax assets; • assessed the reasonability and consistency of the assumptions considered by the management in preparation of the underlying projections and the reliability of the process by which the estimates were calculated, by assessing the reasons for differences between projected and actual performances; • verified the applicable tax rates taken into account for recognition of deferred tax assets; • assessed the remaining duration of carry forward tax losses and the opportunities for utilisation of deferred tax assets pertaining carry forward tax losses against the future taxable profits; and • assessed the adequacy of the disclosures made in the consolidated financial statements.



3	Uncertain indirect tax positions (Included in Note 33 (5) and 33 (6) to the consolidated financial statements): The subsidiary company has material uncertain indirect tax positions including matters under dispute which involves significant judgements to determine the possible outcome of these disputes and hence, it is considered as a key audit matter.	In respect to the key audit matter reported by us in case of subsidiary company, we performed the following principal audit procedures: • evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the tax litigation matters; • obtained confirmation from management's expert for the possible outcome of the outstanding cases relating to indirect tax; • considered the competence, independence and objectivity of the management's expert involved; • involved our internal indirect tax specialist to challenge the underlying assumptions in estimating the possible outcome of the disputes. Our internal indirect tax specialist also considered the legal precedence and other rulings in evaluating management's position on these uncertain tax positions; and • assessed the adequacy of the disclosures made in the consolidated financial statements.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we shall communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.



Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance of the Parent and its subsidiary included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



Report on Other Legal and Regulatory Requirements

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) We have received the written representations from the directors of the Parent and its subsidiary as on 31 March, 2022 taken on record by the Board of Directors of the Parent and its subsidiary, none of the directors of the Group, is disqualified as on 31 March, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent and its subsidiary. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended;

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

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary.



- iv) (a) The respective Management of the Parent and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiary to or in any other persons or entities, including foreign entities.
- (b) The respective Management of the Parent and its subsidiary which are companies incorporated in India whose financial statements have been audited under the Act have represented to us, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such subsidiary from any persons or entities, including foreign entities.
- (c) Based on the information and explanations given to us by the Company and the audit procedures that has been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.
- v) The interim dividend declared and paid by the Company during the year and until the date of this report is in accordance with section 123 of the Companies Act 2013.
2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO report issued by us for the Company and its subsidiary included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in their CARO report.

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



Jitendra Agarwal

Jitendra Agarwal
Partner

(Membership No.87104)
UDIN: 22087104AHVYGF1848

Place: New Delhi
Date: 26 April, 2022

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 Act

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended 31 March, 2022, we have audited the internal financial controls over financial reporting of the Parent and its subsidiary which is incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent and its subsidiary, which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary, which is incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, 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, which is incorporated in India.



Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion to the best of our information and according to the explanations given to us the Parent and its subsidiary, which is incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March, 2022, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

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



Jitendra Agarwal
Partner
(Membership No.87104)
UDIN: 22087104AHVYGF1848

Place: New Delhi
Date: 26 April, 2022

HPCL-MITTAL ENERGY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2022

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

Particulars	Notes	31 March 2022	31 March 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	237,890	244,283
Capital work in progress	3.2	220,327	184,319
Intangible assets	4	302	269
Financial assets			
Other financial assets	5.5	584	547
Deferred tax assets (net)	6.1	-	15,264
Tax assets (net)	7	1,113	1,354
Other non-current assets	8	2,221	1,440
		462,437	447,476
Current assets			
Inventories	9	104,798	60,273
Financial assets			
Trade receivables	5.3	35,970	18,696
Cash and cash equivalents	5.4	15,812	9,021
Other bank balances	5.2	2,211	1,353
Other financial assets	5.5	676	586
Other current assets	8	4,583	2,834
		164,050	92,763
TOTAL ASSETS		626,487	540,239
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	80,411	80,411
Other equity		31,445	26,296
		111,856	106,707
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	11.1	329,762	321,506
Lease liabilities		560	536
Other financial liabilities	11.5	17,901	28,082
Provisions	12	1,140	1,197
Deferred tax liabilities (net)	6.2	16,023	3,058
Other non-current liabilities	13	8,542	2,717
		373,928	357,096
Current liabilities			
Financial Liabilities			
Borrowings	11.2	11,130	6,905
Lease liabilities		88	71
Trade payables	11.4		
Total outstanding dues of micro enterprises and small enterprises		108	47
Total outstanding dues of creditors other than micro enterprises and small enterprises		94,542	45,163
Other financial liabilities	11.5	25,180	13,514
Other current liabilities	13	9,480	9,490
Provisions	12	175	1,132
Current tax liabilities (net)	14	-	114
		140,703	76,436
TOTAL EQUITY AND LIABILITIES		626,487	540,239

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

In terms of our report attached

 For Deloitte Haskins & Sells LLP
Chartered Accountants

 Jitendra Agarwal
Partner

 Place: New Delhi
Date: 26 April 2022

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

 M. K. Surana
Chairman
DIN 07464675

 Rajan Tandon
Director
DIN 01968916

 Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: New Delhi

Place: London

Place: New Delhi

 Harak Banthia
Chief Financial Officer

 Sidhartha Tyagi
Company Secretary
Membership No. A 14544

 Place: New Delhi
Date: 26 April 2022

Place: New Delhi



HPCL-MITTAL ENERGY LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2022

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

Particulars	Notes	31 March 2022	31 March 2021
Income			
Revenue from operations	15	895,512	517,305
Other income	16	928	8,581
Total Income		896,440	525,886
Expenses			
Cost of raw materials consumed	17	516,858	226,586
(Increase)/decrease in inventories	18	(5,342)	(1,928)
Excise duty on sale of goods		304,460	256,007
Purchase of traded goods		-	1,566
Employee benefits expense	19	3,674	3,211
Finance costs	22	9,993	9,182
Depreciation and amortisation expense	21	10,800	10,272
Other expenses	20	15,109	17,567
Total expenses		855,552	522,463
Profit before tax		40,888	3,423
Tax expense			
Current tax (Minimum alternate tax)		-	156
Deferred tax charge/(credit)		28,312	(769)
Total tax expense/(credit)	6	28,312	(613)
Profit for the year		12,576	4,036
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Re-measurement gain/(loss) on defined benefit obligations		56	86
Income tax impact	6	(18)	(30)
		38	56
Items that will be reclassified to profit and loss			
Net gain/(loss) on effective portion of cash flow hedges		(1,598)	3,815
Income tax impact	6	257	(1,333)
		(1,341)	2,482
Total other comprehensive income/(loss) for the year		(1,303)	2,538
Total comprehensive income for the year		11,273	6,574
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic		1.56	0.50
Diluted		1.56	0.50

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

In terms of our report attached

 For Deloitte Haskins & Sells LLP
Chartered Accountants

 Jitendra Agarwal
Partner

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

 M. K. Surana
Chairman
DIN 07464675

 Rajan Tandon
Director
DIN 01968916

 Prabir Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: New Delhi

Place: London

Place: New Delhi

 Harak Banthia
Chief Financial Officer

 Sidhartha Tyagi
Company Secretary
Membership No. A 14544

 Place: New Delhi
Date: 26 April 2022

Place: New Delhi

 Place: New Delhi
Date: 26 April 2022


HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

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

(a) Equity share capital

As at 31 March 2020

Changes in equity share capital during the year

As at 31 March 2021

Changes in equity share capital during the year

As at 31 March 2022

No. million	INR million
8,041	80,411
-	-
8,041	80,411
-	-
8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Cash Flow Hedge Reserve	Total
As at 31 March 2020	21,231	1,942	(3,451)	19,722
Profit for the year	4,036	-	-	4,036
Other comprehensive income/(loss) for the year - Effective portion of cash flow hedges (net of tax)	-	-	2,482	2,482
Other comprehensive income/(loss) for the year - Re-measurement of defined benefit obligations (net of tax)	56	-	-	56
Transfer from retained earnings (note 30)	(691)	691	-	-
As at 31 March 2021	24,632	2,633	(969)	26,296
Profit for the year	12,576	-	-	12,576
Other comprehensive income/(loss) for the year - Effective portion of cash flow hedges (net of tax)	-	-	(1,341)	(1,341)
Other comprehensive income/(loss) for the year - Re-measurement of defined benefit obligations (net of tax)	38	-	-	38
Transfer from retained earnings (note 30)	(43)	43	-	-
Interim dividend paid for financial year 2021-22 (note 37)	(6,124)	-	-	(6,124)
As at 31 March 2022	31,079	2,676	(2,310)	31,445

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

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Jitendra Agarwal
Partner



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

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Prash Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: New Delhi

Place: London

Place: New Delhi

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 26 April 2022

Place: New Delhi
Date: 26 April 2022

Place: New Delhi



HPCL-MITTAL ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

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

Particulars	Notes	31 March 2022	31 March 2021
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		40,888	3,423
Adjustments for:			
Unrealised foreign exchange loss/(gain) (net)		(859)	(1,004)
Unrealised loss/(gain) on currency derivative contracts (net)		(465)	214
Unrealised loss/(gain) on commodity derivative contracts (net)		1,225	105
Finance costs		7,489	8,337
Depreciation and amortisation expense		10,800	10,272
Interest Income		(409)	(503)
Exchange difference to the extent considered as an adjustment to borrowing cost		1,759	173
Loss on discard of property, plant and equipment		481	13
Liability towards vendors no longer required written back		(14)	(9)
Operating profit before working capital changes		60,895	21,021
Movement in working capital:			
(Increase)/decrease in inventories		(44,497)	(7,568)
(Increase)/decrease in trade receivables		(17,273)	(13,833)
(Increase)/decrease in other financial assets		(71)	909
(Increase)/decrease in other assets		(3,179)	6,229
Increase/(decrease) in trade payables		49,886	(5,705)
Increase/(decrease) in other financial liabilities		7,806	1,580
Increase/(decrease) in provisions		47	(525)
Increase/(decrease) in other liabilities		6,497	5,150
Cash generated from operations		60,111	7,258
Direct tax (paid)/refund (net)		284	458
Net cash generated from operating activities (A)		60,395	7,716
B CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(33,765)	(42,769)
Payments for exploration activities		-	(19)
Investment in fixed deposits		(2,211)	(1,262)
Proceeds from maturity of fixed deposits		1,353	6,508
Interest received		629	897
Net cash used in investing activities (B)		(33,994)	(36,645)



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

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

Particulars	Notes	31 March 2022	31 March 2021
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	11.3	84,068	108,313
Repayment of non-current borrowings	11.3	(77,817)	(59,695)
Proceeds from current borrowings	11.3	202,161	113,877
Repayment of current borrowings	11.3	(201,818)	(121,893)
Payment of principal portion of lease liabilities		(150)	(164)
Dividend paid		(6,124)	-
Borrowing costs paid			
- Interest		(18,589)	(18,581)
- Others		(1,341)	(720)
Net cash generated from/(used in) financing activities		(19,610)	21,137
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		6,791	(7,792)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,021	16,813
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		15,812	9,021

Notes:

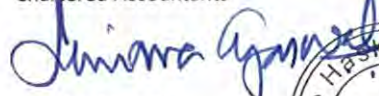
- (i) The consolidated statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 Statement of cash flows.
(ii) Components of cash and cash equivalents included under cash and cash equivalents (note 5.4) are as under:

Balances with scheduled banks		
-On current accounts	229	231
-Deposits with original maturity of upto 3 months	15,583	8,790
Cash and cash equivalents (note 5.4)	15,812	9,021

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

In terms of our report attached

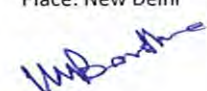
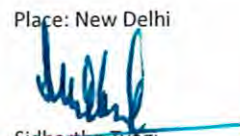
For Deloitte Haskins & Sells LLP
Chartered Accountants


Jitendra Agarwal
Partner



Place: New Delhi
Date: 26 April 2022

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

 M. K. Surana Chairman DIN 07464675	 Rajan Tandon Director DIN 01968916	 Prash Das Managing Director & Chief Executive Officer DIN 00164799
Place: New Delhi	Place: London	Place: New Delhi
 Harak Banthia Chief Financial Officer		 Sidhartha Tyagi Company Secretary Membership No. A 14544
Place: New Delhi		Place: New Delhi

Place: New Delhi
Date: 26 April 2022



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022 (All amounts are in million Indian Rupees, unless otherwise stated)

1. Corporate Information

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

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

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

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

The consolidated financial statements have been authorized for issue by the Board of Directors on 26 April 2022.

2. Significant accounting policies

(a) Basis of preparation

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

Effective April 1, 2016, the Group has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 *First time adoption of Indian Accounting Standards*, with 1 April 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Refer (b) below for certain amendments to the standards which have become effective for annual periods beginning on or after 1 April 2021.

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

(b) Amended Accounting Standards (Ind AS) and interpretations effective during the year

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 2021. The nature and the impact of the amendment is described below:

Ind AS 109 Financial Instruments; Ind AS 107 Financial Instruments: Disclosures and Ind AS 116 Leases (amendments related to Interest Rate Benchmark Reform)

The amendment to Ind AS 109, provides a practical expedient for assessment of contractual cash flow test, which is one of the criteria for being eligible to measure a financial asset at amortized cost, for the changes in the financial assets that may arise as a result of Interest Rate Benchmark Reform. An additional temporary exception from applying hedge accounting is also added for Interest Rate Benchmark Reform.

The amendment to Ind AS 107, clarifies the certain additional disclosures to be made on account of Interest Rate Benchmark Reform:

- (i) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform;



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

- (ii) the entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition;
- (iii) the instruments exposed to benchmark reform disaggregated by significant interest rate benchmark along with qualitative information about the financial instruments that are yet to transition to alternative benchmark rate;
- (iv) changes to entity's risk management strategy.

The amendments introduced a similar practical expedient in Ind AS 116. Accordingly, while accounting for lease modification i.e. remeasuring the lease liability, in case this is required by interest rate benchmark reform, the lessee will use a revised discount rate that reflects the changes in the interest rate.

These amendments did not have any material impact on the consolidated financial statements of the Company.

Ind AS 116 Leases (amendment related to rent concessions arising due to COVID-19 pandemic)

The amendment to Ind AS 116 Leases extended the practical expedient introduced for financial year 2020-21 related to rent concessions arising due to Covid-19 pandemic, that provides an option to the lessee to choose that rent concessions for lease payments due on or before 30 June 2022 (from erstwhile notified date of 30 June 2021), arising due to COVID-19 pandemic ('COVID-19 rent related concessions') need not be treated as lease modification. The amendment did not have any material impact on the consolidated financial statements of the Company.

Amendments consequent to issue of Conceptual Framework for Financial reporting under Ind AS ("Conceptual Framework")

- (i) Ind AS 102 *Share Based Payments* - Amended the definition of 'liabilities' to 'a present obligation of the entity to transfer an economic resource as a result of past events'.
- (ii) Ind AS 103 *Business Combinations* - The MCA clarified that for the purpose of this Ind AS, acquirers are required to apply the definitions of an asset and a liability given in the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards rather than the Conceptual Framework.
- (iii) Ind AS 114 *Regulatory Deferral Accounts* - The amendment added a footnote against the term 'reliable' used in the Ind AS 114. The footnote clarifies that term 'faithful representation' used in the Conceptual Framework encompasses the main characteristics that the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards called 'reliability'. However, for the purpose of this Ind AS, the term 'reliable' would be based on the requirements of Ind AS 8.
- (iv) Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* - The MCA clarified that the definition of term 'liability' in this Ind AS is not being revised following the revision of the definition of liability in the Conceptual Framework.
- (v) Ind AS 38 *Intangible Assets* - The MCA clarified that the definition of an 'asset' in this Ind AS is not being revised following the revision of the definition of asset in the Conceptual Framework.
- (vi) Ind AS 106 *Exploration for and Evaluation of Mineral Resources*; Ind AS 1 *Presentation of Financial Statements*; Ind AS 8 *Accounting policies, Changes in Accounting Estimates and Errors* and Ind AS 34 *Interim Financial Reporting* - The reference to the Framework for Preparation and Presentation of Financial Statements with Indian Accounting Standards has been substituted with reference to the Conceptual Framework.

The above amendments did not have any material impact on the consolidated financial statements of the Group.

(c) Amendment to Accounting Standards (Ind AS) issued but not yet effective

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

Ind AS 101 First Time Adoption of Indian Accounting Standards (amendment related to measurement of cumulative translation differences for foreign operations)

The amendment to Ind AS 101 inserted paragraph D13A in Appendix D that provides that a subsidiary using the exemption in paragraph D16(a) of Ind AS 101 may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to Ind ASs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16 (a). The Group does not expect this amendment to have any impact on its consolidated financial statements.

Ind AS 103 Business Combinations (amendments consequent to Conceptual Framework)

The amendment to Ind AS 103 substituted paragraph 11 providing that the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date shall be considered instead of the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards issued by the Institute of Chartered Accountants of India.

The amendment to Ind AS 103 also inserted certain exceptions to the recognition principles related to liabilities and contingent liabilities within the scope of Ind AS 37 or Appendix C, Levies of Ind AS 37 vide paragraphs 21A to 21C. The amendment to paragraph 23 provides that an acquirer shall recognise a contingent liability as at acquisition date, assumed under business combination, if it is present obligation arising from past events and its fair value can be measured reliably. Further, newly inserted paragraph 23A provides that an acquirer shall not recognise a contingent asset as at the acquisition date. The Group does not expect this amendment to have any impact on its consolidated financial statements.

Ind AS 109 Financial Instruments (amendment in Appendix B)

The amendments to Ind AS 109 substituted paragraph B3.3.6 of Appendix B and inserted paragraph B3.3.6A. Paragraph B3.3.6 now states that for the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Paragraph B3.3.6A provides that if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Group is currently evaluating the impact of above amendments on its consolidated financial statements.

Ind AS 16 Property, Plant and Equipment (amendment related to excess net sales proceeds over cost of testing)

The amendment to paragraph 17(e) clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant and equipment. The Group is currently evaluating the impact of above amendments on its consolidated financial statements.

Ind AS 37 Provisions, Contingent liabilities, and Contingent assets (amendments related to onerous contracts)

Paragraph 68A inserted by the amendment to Ind AS 37 defines cost of fulfilling a contract as costs that directly relate to the contract and consists of both- incremental costs of fulfilling the contract e.g. direct labour and materials; and allocation of other directly related costs e.g. allocation of depreciation charge for property, plant and equipment used in fulfilling the contract. The amendment to paragraph 69 provides that before establishing a separate provision for an onerous contract, the entity shall recognise any impairment loss that has occurred on assets used in fulfilling the contract. Paragraph 94A inserted by the amendment to Ind AS 37 provides that the entity shall apply amendments related to paragraphs 68A and 69 to those contracts for which it has not yet fulfilled all its obligations as at the date of initial application of the amendments i.e. 1 April 2022. Further, the entity shall not restate the comparative information and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity as appropriate.

The Group is currently evaluating the impact of above amendments on its consolidated financial statements.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

Ind AS 41 Agriculture (amendment related to annual improvements to Ind AS)

The amendment to Ind AS 41 substituted paragraph 22 to remove the word 'taxation' and the revised paragraph states that an entity does not include any cash flows for financing the assets or reestablishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest). The amendment does not have any impact on consolidated financial statements of 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 2021. The Company has one subsidiary in India, HPCL-Mittal Pipelines Limited in which it holds 100% equity shares. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year ended on 31 March 2021.

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

Consolidation procedures:

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

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

(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(i)(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 Group functional currency. All financial information presented in INR has been rounded to the nearest million. Refer note 2(i)(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 in future periods.

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

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

Critical judgments in applying accounting policies

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

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

Key source of estimation uncertainty

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

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

The Group has assessed the possible effects that may result from the COVID-19 pandemic on the carrying amounts of Property, plant and equipment, Inventories, Receivables and other assets. In developing the assumptions relating to the possible future uncertainties



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

in the global economic conditions because of this pandemic, the Group, as at the date of approval of these consolidated financial statements, has used internal and external sources of information on the expected future performance of the Group. The Group has performed sensitivity analysis on the assumptions used and based on current estimates, expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Group's consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

ii) Useful lives of property, plant and equipment

The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal and external technical assessment, user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the assets. The Group reviews the useful life of property, plant and equipment at regular intervals.

iii) Recoverable amount of property, plant and equipment

The recoverable amount of property plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

iv) Post-retirement benefit plans

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

v) Fair value measurement of financial instruments

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

vi) Recognition of Deferred tax asset

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

(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
- 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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

- 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 ('PPE')

Recognition and measurement

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

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

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

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

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

Subsequent costs and disposal

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022
(All amounts are in million Indian Rupees, unless otherwise stated)

Depreciation and useful lives

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

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

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

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

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

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

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

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

2) Intangible assets

Recognition and measurement

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

Amortisation

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022
(All amounts are in million Indian Rupees, unless otherwise stated)

4) Financial instruments

Recognition and subsequent measurement

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

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

A. Financial assets

(i) Cash and cash equivalents

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

(ii) Other bank balances

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

(iii) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest method if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iv) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Financial assets are subsequently measured at fair value with fair value movements being recognized in the other comprehensive income if the financial assets are held within the business whose objective is achieved both by collecting contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(v) Impairment of financial assets

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

(vi) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

B. Equity instruments and financial liabilities

(i) Equity instruments

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



(ii) Financial liabilities

a) Financial liabilities subsequently measured at amortised cost

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

b) Derecognition of financial liabilities

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

C. Effective interest rate (EIR)

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

D. (i) Derivative financial instruments

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

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

(ii) Hedge accounting

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

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

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

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

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

Cash flow hedges

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

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

E. Offsetting of financial assets and financial liabilities

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

F. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions

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

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

5) Borrowing costs

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

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

6) Inventories

Inventories are valued as follows:

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

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

Scrap: Scrap is valued at net realizable value.

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

7) Government grants and subsidies

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

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

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

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

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

8) Provisions

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

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

9) Contingent liabilities

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

10) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

The Group operates the following post-employment schemes:

Defined contribution plan: Provident fund

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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 benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss.

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

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

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

11) Revenue recognition

Sale of goods and services

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

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

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

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

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

Interest income

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

13) Income Taxes

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

Current tax

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

Deferred tax

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

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

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

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



14) Segment reporting

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

Identification of segments:

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

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

15) Leases

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

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

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

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

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

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

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

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

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

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

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



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022
(All amounts are in million Indian Rupees, unless otherwise stated)

16) Exceptional items

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

17) Earnings per share

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022
(All amounts are in million Indian Rupees, unless otherwise stated)

3.1 Property, plant and equipment

Cost or valuation	Land freehold	Right-of-use	Buildings on freehold land	Buildings on leasehold land	Plant and equipment	Plant and equipment on leasehold land	Railway sidings	Leasehold improvements	Office equipment	Furniture and fixtures	Computer and peripherals	Vehicles	Total
As at 31 March 2020	8,815	1,003	11,157	711	257,229	13,074	382	28	257	203	493	294	293,646
Additions	315	-	2,456	-	13,089	1,719	-	-	47	37	56	-	17,719
Disposals	-	-	-	-	(6,378)	-	-	-	(2)	(2)	(49)	(19)	(6,450)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	(52)	-	(1,359)	-	(2)	-	-	-	-	-	(1,413)
As at 31 March 2021	9,130	1,003	13,561	711	262,581	14,793	380	28	302	238	500	275	303,502
Additions	10	278	1,564	-	1,228	22	-	-	11	8	110	19	3,250
Disposals	-	(324)	-	-	(652)	(62)	-	-	(8)	(2)	(20)	(5)	(1,073)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	-	62	-	1,616	-	3	-	-	-	-	-	1,681
As at 31 March 2022	9,140	957	15,187	711	264,773	14,753	383	28	305	244	590	289	307,360
Depreciation													
As at 31 March 2020	-	168	2,469	317	47,630	3,940	109	12	169	113	259	215	55,401
Charge for the year	-	199	314	34	8,589	939	27	1	34	21	62	28	10,248
Disposals	-	-	-	-	(6,374)	-	-	-	(1)	(2)	(43)	(10)	(6,430)
As at 31 March 2021	-	367	2,783	351	49,845	4,879	136	13	202	132	278	233	59,219
Charge for the year	-	195	378	34	8,998	1,002	28	1	29	15	70	7	10,757
Disposals	-	(253)	-	-	(170)	(57)	-	-	(6)	(1)	(16)	(3)	(506)
As at 31 March 2022	-	309	3,161	385	58,673	5,824	164	14	225	146	332	237	69,470
Net Block													
As at 31 March 2021	9,130	636	10,778	360	212,736	9,914	244	15	100	106	222	42	244,283
As at 31 March 2022	9,140	648	12,026	326	206,100	8,929	219	14	80	98	258	52	237,890

Notes:

- (a) The Group has adjusted exchange loss arising on long-term foreign currency loan amounting to INR 1,681 million (31 March 2021 : gain of INR 1,413 million) to the cost of property, plant and equipment.
- (b) For changes in the carrying value of right-of-use assets (note 36).
- (c) For lien/charge against property, plant and equipment (note 11.1 and 11.2).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

	31 March 2022	31 March 2021
3.2 Capital work in progress		
Opening balance	184,319	138,903
Add: Additions during the year	23,209	50,171
Add: Expenditure during the year		
- Employee benefits expense (note 19)	1,311	1,234
- Finance costs (note 22)	12,985	10,930
- Depreciation and amortisation expense (note 21)	63	59
- Interest income (note 16)	(31)	(23)
- Other expenses (note 20)	1,721	764
Less: Assets capitalised during the year	(3,250)	(17,719)
	220,327	184,319

a) Capital work in progress ageing schedule:

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

Particulars	As at 31 March 2021				
	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	86,322	47,357	10,085	40,555	184,319

*Total includes INR 213,659 million (31 March 2021: INR 177,193 million) for Petrochemical project planned to be commissioned in financial year 2022-23.

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

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

Particulars	As at 31 March 2021			
	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Major projects in progress				
Additional oil tanks	-	356	-	-
Gas desulfurisation	-	-	-	52
Low pressure heat recovery	-	72	-	-



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

4. Intangible assets

	Computer Software	Total
Cost		
As at 31 March 2020	1,305	1,305
Additions	139	139
As at 31 March 2021	1,444	1,444
Additions	139	139
As at 31 March 2022	1,583	1,583
Amortisation		
As at 31 March 2020	1,092	1,092
Charge for the year	83	83
As at 31 March 2021	1,175	1,175
Charge for the year	106	106
As at 31 March 2022	1,281	1,281
Net block		
As at 31 March 2021	269	269
As at 31 March 2022	302	302

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

5. Financial assets

5.1. Investments

Trade investments (valued at cost unless stated otherwise)

Unquoted equity instruments

Investment in subsidiary

1,223 million (31 March 2021 : INR 1,223 million) equity shares of INR 10 each fully paid-up in HPCL-Mittal Pipelines Limited

Other Investment (valued at cost unless stated otherwise)

0.01 million (31 March 2021 : INR 0.01 million) equity shares of INR 10 each fully paid-up in HPCL-Mittal Foundation*

Non-current		Current	
31 March 2022	31 March 2021	31 March 2022	31 March 2021
-	-	-	-
-	-	-	-
-	-	-	-

*Amounts are less than INR 0.5 million

5.2 Other bank balances

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

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

Non-current		Current	
31 March 2022	31 March 2021	31 March 2022	31 March 2021
-	-	-	199
-	-	2,211	1,154
-	-	2,211	1,353

*Includes pledged with bank INR 1,393 million (31 March 2021 : INR 201 million)

5.3 Trade receivables (at amortised cost)

Unsecured

Trade receivables

Current	
31 March 2022	31 March 2021
35,970	18,696
35,970	18,696

The credit period for trade receivables ranges from 0 to 30 days. Of the trade receivables outstanding as at 31 March 2022 and 31 March 2021, major dues relate to receivables from a single customer which is a related party and is net of INR 9,497 million (31 March 2021 : INR 6,981 million) assigned to a bank under a factoring arrangement, without recourse to the Group (note 24).

Trade receivables ageing schedule:

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

Particulars	31 March 2021						
	Outstanding for following periods from due date of payment						Total
	Amount Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed trade receivables – considered good	18,680	15	-	-	1	-	18,696
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed trade receivables – considered good	-	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-	-
Total	18,680	15	-	-	1	-	18,696

Unbilled dues INR Nil (31 March 2021 : INR Nil)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

5.4 Cash and cash equivalents

Balances with banks:

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

Current	
31 March 2022	31 March 2021
229	231
15,583	8,790
15,812	9,021

5.5 Other financial assets

Derivative instruments at fair value through profit or loss

Foreign exchange forward contracts

Commodity forward contracts

Interest rate and cross currency swap

Non-current		Current	
31 March 2022	31 March 2021	31 March 2022	31 March 2021
-	9	-	24
-	-	431	407
9	-	-	-
9	9	431	431

Other financial assets (at amortised cost)

Security deposits

Interest accrued but not due

Balance recoverable on settled commodity derivative contracts

Others

575	538	2	2
-	-	78	86
-	-	-	12
-	-	165	55
575	538	245	155
584	547	676	586

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

6. Deferred tax assets/liabilities (net)

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

6.1 Deferred tax assets (net)

	31 March 2022	31 March 2021
Balance at the beginning of the year	15,264	15,238
Balance at the end of the year	(12,159)	15,264
Deferred tax charge/(credit) recognised:	27,423	(26)
in the consolidated statement of profit and loss (Including Minimum alternate tax ('MAT') credit written off INR 12,867 million) (note 6.5)	27,506	(1,388)
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit obligations	18	29
Net loss/(gain) on effective portion of cash flow hedges	(257)	1,333
MAT reclassified to Tax assets for financial year 2020-21 (note 6.5)	156	-

6.2 Deferred tax liabilities (net)

	31 March 2022	31 March 2021
Balance at the beginning of the year	3,058	2,438
Balance at the end of the year	3,864	3,058
Deferred tax charge recognised	806	620
in the consolidated statement of profit and loss	806	619
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit obligations	-	1
Net Deferred tax charge/(credit) recognised in the consolidated statement of profit and loss	28,312	(769)
in the consolidated statement of profit and loss		
Other comprehensive income		
in the consolidated statement of other comprehensive income		
Net loss/(gain) on remeasurement of defined benefit plans	18	30
Net loss/(gain) on effective portion of cash flow hedges	(257)	1,333

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

	31 March 2022	31 March 2021
Profit before tax	40,888	3,423
At India's statutory income tax rate of 26.274% (31 March 2021 : 28.046%)	10,743	960
Tax effect of:		
-Gain on settlement of central sales tax exempted from tax	-	(1,645)
-Corporate social responsibility expenses	31	86
-Remeasurement of deferred tax balances (note 6.5)	4,722	34
-MAT credit written off (note 6.5)	12,867	-
-Others	16	5
At the effective income tax rate of 69.407% (31 March 2021 : 16.360%)	28,379	(560)
At India's statutory tax rate for capital gains of 23.296% (31 March 2021 : 23.296%)		
Difference between book value and indexed cost of land	(67)	(53)
	(67)	(53)
At the effective income tax rate of 69.243% (31 March 2021 : 17.908%)	28,312	(613)

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

6.4 Composition of deferred tax balances

	31 March 2022	31 March 2021
Deferred tax liabilities		
Difference in the book base and tax base of property, plant and equipment	41,862	53,226
Gross deferred tax liabilities	41,862	53,226
Deferred tax assets		
Derivative contracts	1,196	554
Inventory of spares	210	249
Lease liabilities	163	174
Unabsorbed depreciation (refer 'b')	18,769	32,921
Carried forward tax losses (refer 'b')	5,306	18,261
Unrealised profits on intragroup transactions	59	76
Employee benefits obligation	67	90
Minimum alternate tax (MAT)	-	13,023
Others	69	84
Gross deferred tax assets	25,839	65,432
Net deferred tax assets/(liabilities)	(16,023)	12,206
Aggregate amount of deferred tax asset/(liability) (net) in component of the Group	(3,864)	(3,058)
Aggregate amount of deferred tax asset/(liability) (net) in component of the Group	(12,159)	15,264

Notes:

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

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

6.5 Adoption of new tax regime

The Company (HMEL) has exercised the option under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Act, 2019, while filing return of income for the financial year ended 31 March 2021. Consequently, the Company has forgone its MAT assets and remeasured deferred tax balances to give effect to the lower rate of income tax under new tax regime. Accordingly, MAT assets amounting to INR 12,867 million as at 31 March 2020 has been charged to consolidated statement of profit and loss and INR 156 million pertaining to financial year 2020-21 has been reclassified to tax assets during the year. Deferred tax balances other than MAT asset has been remeasured, accordingly an amount of INR 4,722 million has been charged to consolidated statement of profit and loss during the year. Further, deferred tax charge for the current year is lower by INR 3,871 million on account of lower income tax rate under new tax regime.

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

7. Tax assets (net)

	Non-current	
	31 March 2022	31 March 2021
Advance income tax (net of provisions)	1,113	1,354
	1,113	1,354

8. Other assets

	Non-current		Current	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Capital advances	1,812	1,147	-	-
Advances other than capital advances	88	85	1,317	165
	1,900	1,232	1,317	165
Others				
Balances with statutory/government authorities*	296	196	2,138	1,323
Prepaid expenses	25	12	1,127	1,344
Export incentive receivable	-	-	1	2
	321	208	3,266	2,669
	2,221	1,440	4,583	2,834

*Includes INR 296 million (31 March 2021 : INR 196 million) paid under protest, classified as non-current.

9. Inventories

	Current	
	31 March 2022	31 March 2021
Raw materials	67,339	29,703
Work-in-progress	16,403	10,489
Finished goods	13,816	14,388
Stores and spares	7,240	5,693
	104,798	60,273

Notes:

(a) Raw materials includes stock in transit of INR 14,623 million (31 March 2021 : INR 4,413 million)

(b) The cost of inventories recognised as an expense includes INR Nil (31 March 2021 : INR 1 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. (note 11.1 and 11.2)

(d) The cost of inventories recognised as an expense during the year in respect of the Group's operations is INR 536,280 million (31 March 2021 : INR 243,924 million)

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HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

10. Equity share capital

	31 March 2022	31 March 2021
(a) Authorised (numbers in million)		
10,000 (31 March 2021 : 10,000) equity shares of INR 10 each	100,000	100,000
(b) Issued, subscribed and fully paid up (numbers in million)		
8,041 (31 March 2021 : 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 2022		For the year ended 31 March 2021	
	No. million	INR million	No. million	INR million
Outstanding at the beginning of the year	8,041	80,411	8,041	80,411
Issued during the year	-	-	-	-
Outstanding at the end of the year	8,041	80,411	8,041	80,411

(d) Terms/rights attached to equity shares

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

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

	As at 31 March 2022		As at 31 March 2021	
Name of shareholders	No. million	% holding in the class	No. million	% holding in the class
Equity shares of INR 10 each fully paid				
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%

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

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

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

	As at 31 March 2022		As at 31 March 2021		
Name of promoters	No. million	% of total shares	No. million	% of total shares	% Change
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%	-
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%	-

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11. Financial Liabilities

11.1 Borrowings (at amortised cost)

Debentures (Secured)

Non-Convertible debentures (refer 'a', 'j')

Foreign currency redeemable bonds (Unsecured)

Senior notes (refer 'b')

Term loans (Secured)

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

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

Term loans (Unsecured)

Foreign currency loan from banks (refer 'h')

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

The above amount includes

Secured borrowings

Unsecured borrowings

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

Net amount

	Non-current		Current maturities	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Debentures (Secured)				
Non-Convertible debentures (refer 'a', 'j')	19,742	24,385	5,089	1,798
Foreign currency redeemable bonds (Unsecured)				
Senior notes (refer 'b')	50,609	48,939	-	-
Term loans (Secured)				
Indian rupee loan from banks (refer 'c', 'd')	97,483	110,762	-	-
Foreign currency loan from banks (refer 'e', 'f', 'g', 'k')	141,685	115,142	613	1,390
Term loans (Unsecured)				
Foreign currency loan from banks (refer 'h')	14,861	16,250	-	-
Indian rupee loan from Government of Punjab (refer 'i')	5,382	6,028	4,928	3,560
	329,762	321,506	10,630	6,748
The above amount includes	258,910	250,289	5,702	3,188
Secured borrowings	70,852	71,217	4,928	3,560
Unsecured borrowings	-	-	(10,630)	(6,748)
Less: Amount disclosed under the head 'Borrowings' (note 11.2)	329,762	321,506	-	-
Net amount				

Notes:

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

- (a) (i) 150 (31 March 2021 : 439) Redeemable 4% Non-Convertible Debentures (NCDs) of INR 3 million each fully paid up, equivalent to INR 922 million (31 March 2021 : INR 2,502 million), inclusive of unamortised ancillary borrowing cost of INR 1 million (31 March 2021 : INR 4 million) were issued at par on 3 September 2012. These are secured by a first pari-passu charge on (i) the specified land and buildings erected thereon; and (ii) plant and machinery, except the assets pertaining to the petrochemical project of the Company to the extent of 1.25 times of the outstanding NCDs. These NCDs are repayable at the end of 10th year from the date of issuance. The interest rate of such NCDs is 10.90%.
- (a) (ii) 10,000 (31 March 2021 : 10,000) Redeemable 9.18% Non-Convertible Debentures (NCDs) of INR 1 million each fully paid up, equivalent to INR 10,000 million (31 March 2021 : INR 10,000 million), inclusive of unamortised ancillary borrowing cost of INR 189 million (31 March 2021 : INR 213 million) were allotted at par on 28 February 2020. These are secured by first pari-passu charge on Fixed Assets (Property, plant and equipment) except the assets pertaining to the petrochemical project of the Company to the extent of 1.25 times of the issue size. These NCDs are repayable at the end of 10 years from the date of issuance. The interest rate of such NCDs is 9.18%.
- (a) (iii) 10,000 (31 March 2021 : 10,000) Redeemable 7.15% Non-Convertible Debentures (NCDs) of INR 1 million each fully paid up, equivalent to INR 10,000 million (31 March 2021 : INR 10,000 million), inclusive of unamortised ancillary borrowing cost of INR 69 million (31 March 2021 : INR 89 million) were allotted at par on 3 September 2020. These are secured by subservient / residual charge on the fixed assets (Property, plant and equipment) of the Company. These NCDs are repayable at the end of 5 years from the date of issuance. The interest rate of such NCDs is 7.15%.
- (b) (i) US Dollar 5.25% redeemable notes, equivalent to INR 28,092 million (31 March 2021 : INR 27,162 million), were issued at par on 28 April 2017 and are repayable in April 2027. The interest rate of these notes is 5.25%.
- (b) (ii) US Dollar 5.45% redeemable notes, equivalent to INR 22,517 million (31 March 2021 : INR 21,777 million), were issued at par on 22 October 2019 and are repayable in October 2026. The interest rate of these notes is 5.45%.
- (c) (i) Indian rupee loan of INR 1,625 million (31 March 2021 : INR 8,125 million) outstanding is secured by a hypothecation through a subservient charge on current assets and movable fixed assets (property, plant and equipment) of the Company. The loan is repayable in Sep 2024. The loan carries interest rate of 7.35% p.a.
- (c) (ii) Indian rupee loan of INR 8,000 million (31 March 2021 : INR 10,000 million) outstanding is secured by a hypothecation through a subservient charge on current assets and movable fixed assets (property, plant and equipment) of the Company. The loan is repayable in 7 quarterly instalments starting from June 2023. The loan carries interest rate of 7.25% p.a.
- (c) (iii) Indian rupee loan of INR 4,000 million (31 March 2021 : INR 5,000 million) outstanding is secured by a hypothecation through a residual charge on movable fixed assets (property, plant and equipment) of the Company. The loan is repayable in 2 instalments starting from September 2023. The loan carries interest rate of 7.30% p.a.
- (c) (iv) Indian rupee loan of INR 10,000 million (31 March 2021 : INR 4,500 million) inclusive of unamortised ancillary borrowing cost of INR 1 million (31 March 2021 : INR 1 million), outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and current assets of the Company except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 7 annual instalments starting from June 2025. The loan carries interest rate of 7.30% p.a.
- (c) (v) Indian rupee loans of INR 3,086 million (31 March 2021 : INR 15,000 million), inclusive of unamortised ancillary borrowing cost of INR 7 million (31 March 2021 : INR 10 million), are secured by first pari-passu charge on fixed assets (property, plant and equipment) except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 14 half yearly instalments starting from September 2023. The loans carry an interest rate of 7.00% p.a.
- (c) (vi) Indian rupee loan of INR 12,000 million (31 March 2021 : INR Nil), inclusive of unamortised ancillary borrowing cost of INR 1 million (31 March 2021 : INR Nil) outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and current assets except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in structured instalment starting from September 2026. The loan carries interest rate of 7.00% p.a.
- (d) Indian rupee loans of INR 58,919 million (31 March 2021 : INR 57,419 million), inclusive of unamortised ancillary borrowing cost of INR 138 million (31 March 2021 : INR 147 million), are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The loans are repayable in 35 structured quarterly instalments starting from December 2023. The loans carry an interest rate of 7.75% p.a.
- (e) Foreign currency loan from banks equivalent to INR 5,875 million (31 March 2021 : INR 8,683 million), inclusive of unamortised ancillary borrowing cost of INR 54 million (31 March 2021 : INR 81 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. These loans are repayable as below:
- INR 1,106 million in February 2024 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.
- INR 3,032 million in 3 variable annual instalments starting from October 2024 and carries interest rate of 3 month LIBOR plus a spread of 182 bps.
- INR 1,737 million in 2 variable annual instalments starting from June 2023 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

(f) Foreign currency loan from banks equivalent to INR 55,341 million (31 March 2021 : INR 53,660 million) inclusive of unamortised ancillary borrowing cost of INR 40 million (31 March 2021 : INR 50 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. The outstanding loan are repayable as under:

(i) INR 34,149 million is repayable in 18 variable quarterly instalments starting from December 2023 and carries interest rate of 6 month LIBOR plus a spread of 210 bps.

(ii) INR 21,192 million is repayable in 16 variable quarterly instalments starting from March 2023 and carries interest rate of 6 month LIBOR plus a spread 210 bps.

(g) (i) Foreign currency loan from banks equivalent to INR 32,812 million (31 March 2021 : INR 26,963 million) inclusive of unamortised ancillary borrowing cost of INR 486 million (31 March 2021 : INR 553 million) secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The outstanding loan are repayable as under:

(1) INR 23,501 million is repayable in 18 variable half yearly instalments starting from December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.

(2) INR 9,311 million is repayable in 35 variable quarterly instalments starting from December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.

(g) (ii) Foreign currency loan of INR 11,371 million (31 March 2021 : INR Nil), are secured by first pari-passu charge on fixed assets (property, plant and equipment) except on the assets pertaining to the petrochemical project of the Company. The loan is repayable in 14 half yearly instalments starting from September 2023. The loans carry an interest rate of 6 months LIBOR plus spread of 215 bps.

(g) (iii) Foreign currency loan of INR 20,113 million (31 March 2021 : INR 9,177 million) inclusive of unamortised ancillary borrowing cost of INR 7 million (31 March 2021 : INR 9 million), outstanding is secured by a hypothecation through a residual charge over movable fixed assets (property, plant and equipment) and Current Assets of the Company except the assets pertaining to the petrochemical project of the Company. The loan is repayable in 3 annual instalments starting from November 2024. The loan carries interest rate of 6 months LIBOR plus spread of 225 bps.

(h) (i) Unsecured foreign currency loan equivalent to INR 7,398 million (31 March 2021 : INR Nil) is repayable in 6 variable semi annual instalment starting from April 2025. The loan carries an interest rate of 3 month SOFR plus a spread of 225 bps.

(ii) Unsecured foreign currency loan equivalent to INR 7,463 million (31 March 2021 : INR Nil) is repayable in September 2027. The loan carries an interest rate of 6 month SOFR plus a spread of 200 bps.

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

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

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

(j) (i) 2,000 (31 March 2021 : 2,000) 4% Secured redeemable Non-Convertible Debentures (NCDs) Series I of INR 1 million each fully paid up, equivalent to INR 4,064 million (31 March 2021 : INR 3,741 million), were issued at par on 4 October 2012. These are secured by a first pari-passu charge on (i) the specified land and buildings erected thereon; and (ii) plant and machinery, to the extent of 1.25 times of the value of outstanding NCDs. Series I debentures are redeemable at a premium of INR 1.12 million per debenture on October 2022 being the 10th year from the date of allotment, giving an effective interest rate ('EIR') of 10.75%.

(ii) 17 (31 March 2021 : 43) 4% Secured redeemable Non-Convertible debentures (NCDs) Series II of INR 3 million each fully paid up, equivalent to INR 104 million (31 March 2021 : 246 million), were issued at par on 21 August 2012. Series II debenture consists of separately transferrable principal part (STRPP) C which is redeemable at a premium of INR 1.12 million per STRPP/debenture on August 2022 being the 10th year from the date of allotment. The EIR on these is 10.75%.

(k) Foreign currency loan from banks equivalent to INR 17,549 million (31 March 2021 : INR 19,001 million) net of unamortised ancillary borrowing cost of INR 176 million (31 March 2021 : INR 258 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 month LIBOR plus a spread of 162 bps. The loan is repayable in variable instalments upto March 2026.

(l) All the above loans are secured by guarantee given by the parent company, for which guarantee commission of 1% p.a. (31 March 2021 : 1% p.a.) is paid on the debt outstanding at the year end.

11.2 Borrowings

Indian rupee loan from banks (secured) (refer 'a')
Current maturities of long-term borrowings (note 11.1)

31 March 2022	31 March 2021
500	157
10,630	6,748
11,130	6,905

Notes:

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

(a) INR 500 million (31 March 2021 : INR 157 million) Indian rupee loan is secured by charge on fixed deposit. The loan carries an interest rate of 4.2% p.a.

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

11.3 Reconciliation of liabilities arising from financing activities

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

	For the year ended 31 March 2022		For the year ended 31 March 2021	
	Non-current	Current	Non-current	Current
Balance at the beginning	328,254	157	284,136	8,173
Net additions/(repayments)	6,251	343	48,618	(8,016)
Other movements*	5,887	-	(4,500)	-
Balance at the end	340,392	500	328,254	157

Note: Non-current borrowing also includes current maturities.

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



11.4 Trade payables

	Non-current		Current	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Total outstanding dues of micro enterprises and small enterprises (note 34)	-	-	108	47
Total outstanding dues of creditors other than micro enterprises and small enterprises				
Trade payables*	-	-	83,971	28,464
Acceptances**	-	-	10,571	16,699
	-	-	94,650	45,210

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

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

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

Trade payables ageing schedule:

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

Particulars	31 March 2021						
	Unbilled	Not due	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	2	45	-	-	-	-	47
(ii) Others	658	27,435	318	1	-	-	28,412
(iii) Disputed dues- MSME	-	-	-	-	-	-	-
(iv) Disputed dues- Others	-	-	-	-	-	52	52
Total	660	27,480	318	1	-	52	28,511

11.5 Other financial liabilities

Financial liabilities at fair value through profit or loss

Commodity forward contracts
Foreign exchange forward contracts
Interest rate and cross currency swap

	Non-Current		Current	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	-	-	1,656	512
	43	40	108	100
	507	1,426	91	48
	550	1,466	1,855	660

Other financial liabilities at amortised cost

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

	-	-	375	183
	-	-	1,689	1,726
	10,115	25,920	18,311	8,503
	-	-	210	210
	-	-	2,740	2,232
	7,236	696	-	-
	17,351	26,616	23,325	12,854
	17,901	28,082	25,180	13,514

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

12. Provisions

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

Non-current		Current	
31 March 2022	31 March 2021	31 March 2022	31 March 2021
-	-	6	1
203	221	58	55
203	221	64	56
Other provisions			
-	-	111	1,076
937	976	-	-
937	976	111	1,076
1,140	1,197	175	1,132

Notes:

(a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2021 of INR 1,076 million has increased by additional provision of INR 145 million and reduced by INR 1,110 million on account of settlement with the vendors during the year.

(b) The Company has made provision for potential claims that may arise upon final settlement of some of the Company's dues. The opening provision of INR 976 million as on 1 April 2021 has decreased due to unwinding of discount of INR 39 million.

13. Other liabilities

Advance from customers
 Statutory dues payable
 Government incentives*
Total other liabilities

Non-current		Current	
31 March 2022	31 March 2021	31 March 2022	31 March 2021
-	-	878	477
-	-	7,518	8,272
8,542	2,717	1,084	741
8,542	2,717	9,480	9,490

*Movement in government incentives

At the beginning of the year
 Received during the year
 Released to the consolidated statement of profit and loss (note 22)
 At the end of the year

31 March 2022	31 March 2021
3,458	2,675
6,908	1,585
(740)	(802)
9,626	3,458

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

14. Current tax liabilities

Liabilities for income tax (net of taxes paid)

Current	
31 March 2022	31 March 2021
-	114
-	114

Net of income tax paid of INR Nil (31 March 2021 : INR 49 million)

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

15. Revenue from operations

Sale of products (including excise duty)

Finished goods

	31 March 2022	31 March 2021
	895,512	517,305
	895,512	517,305

Sale of products includes excise duty collected from customers of INR 304,460 million (31 March 2021 : INR 256,007 million).

Disaggregation of revenue

Below table summarises the disaggregated revenue from contracts with customers:

Product wise category

Solid products

Liquid products*

Revenue from contracts with customers

	31 March 2022	31 March 2021
	72,273	41,050
	823,239	476,255
	895,512	517,305

*Includes sales of traded goods amounting to INR Nil (31 March 2021 : INR 1,437 million)

Contract balances

Contract liabilities include advances received against delivery of goods and rebates payable under supply agreement with the customer. The outstanding balance of contract liabilities as on 31 March 2022 was INR 878 million (31 March 2021 : INR 467 million). Revenue recognised during the current year out of contract liabilities outstanding at the beginning of the year is INR 411 million (31 March 2021 : INR 615 million).

Performance obligation

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

16. Other income

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

Bank deposits

Deposits and others

	31 March 2022	31 March 2021
	344	471
	94	55

(b) Other non-operating income

Insurance claims received

Liability towards vendors no longer required written back

Miscellaneous income

	-	1
	14	9
	501	662

(c) Other gains and losses

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

Foreign exchange difference (net)

	-	4,243
	6	3,163

Less: Transferred to capital work in progress (note 3.2)

	959	8,604
	(31)	(23)
	928	8,581

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

17. Cost of raw materials consumed

	31 March 2022	31 March 2021
Inventory at the beginning of the year	29,703	24,645
Add: Purchases	554,494	231,644
Less: Inventory at the end of the year	(67,339)	(29,703)
	516,858	226,586

Note: Includes material consumed of INR 19,413 million (31 March 2021 : INR 9,920 million) as fuel for in house power and steam generation.

18. (Increase)/decrease in inventories

	31 March 2022	31 March 2021
Inventories at the beginning of the year		
-Work-in-progress	10,489	13,326
-Finished goods	14,388	9,623
Inventories at the end of the year		
-Work-in-progress	(16,403)	(10,489)
-Finished goods	(13,816)	(14,388)
Net (increase)/decrease in inventories	(5,342)	(1,928)

19. Employee benefits expense

	31 March 2022	31 March 2021
Salaries, wages and bonus	4,328	3,810
Contribution to provident fund (note 28.1)	232	213
Gratuity expense (note 28.2)	79	101
Compensated absences	73	80
Staff welfare expenses	273	241
	4,985	4,445
Less: Transferred to capital work in progress (note 3.2)	(1,311)	(1,234)
	3,674	3,211

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

20. Other expenses

	31 March 2022	31 March 2021
Consumption of chemicals, stores and spares	3,813	2,818
Power and fuel	2,523	1,127
Repairs and maintenance		
-Buildings	11	13
-Plant and machinery	1,331	1,180
-Others	357	278
Facility maintenance	396	400
Professional and consultancy fees (refer 'a')	175	114
Rent (note 36)	59	60
Commission on sales	207	161
Rates and taxes	29	31
Insurance	920	941
Travel and conveyance	214	179
Sales promotion expenses	2	2
Freight outward	613	377
Excise duty/Goods and Service Tax (GST) reversal on exempted finished goods	943	599
Increase/(decrease) of excise duty on inventories	(3,407)	3,320
Fair value loss on derivative contracts (net)	6,024	5,206
Loss on discard of property, plant and equipment	482	13
Corporate social responsibility ('CSR') expenditure (refer 'b')	126	252
Foreign exchange differences (net)	786	-
Miscellaneous expenses	1,226	1,260
	16,830	18,331
Less: Transferred to capital work in progress (note 3.2)	(1,721)	(764)
	15,109	17,567

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

	31 March 2022	31 March 2021
-Fee for statutory audit	11	10
-Fee for limited review	5	4
-Fee for certifications	1	1
-Other services	*	1
-Out of pocket expenses	1	*
	18	16

*Amounts are less than INR 0.5 million

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

b) Details of Corporate social responsibility expenditure		31 March 2022	31 March 2021
1. Amount required to be spent by the Group during the year		126	252
2. Amount spent during the year:			
i) Construction/acquisition of any asset		-	-
ii) On purposes other than (i) above		147	223
3. Amount transferred to Unspent CSR Account*		-	29
4. Excess amount spent during the financial year		21	-
5. Set Off available for succeeding financial years		21	-
6. Nature of CSR activities	Promoting healthcare and education, livelihood enhancement, empowering women, disaster management, COVID-19 relief, protection of art & culture and rural development projects		

Note: Out of the aforementioned amount of INR 147 million (31 March 2021 : INR 223 million), an amount of INR 31 million (31 March 2021 : INR 27 million) has been contributed by the Group to HPCL-Mittal Foundation ('HMF') in relation to CSR expenditure.

*As per Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, notified by MCA Notification no. GSR 40(E) dated 22 January 2021, the Group subsequent to the year end has transferred unspent amount of INR Nil (31 March 2021 : INR 29 million) towards ongoing projects, into a separate Unspent CSR Account.

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

	31 March 2022	31 March 2021
Opening balance	29	-
Additions during the year	-	29
Utilisation during the year	(29)	-
Closing balance	-	29

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

21. Depreciation and amortisation expense

	31 March 2022	31 March 2021
Depreciation of property, plant and equipment (note 3.1)	10,757	10,248
Amortisation of intangible assets (note 4)	106	83
	10,863	10,331
Less: Transferred to capital work in progress (note 3.2)	(63)	(59)
	10,800	10,272

22. Finance costs

	31 March 2022	31 March 2021
Interest cost*	19,416	19,506
Exchange difference to the extent considered as an adjustment to borrowing cost	3,294	246
Bank charges	306	285
Interest rate swap - settlement	742	809
Unwinding of discount on long term provisions	(40)	68
	23,718	20,914
Less: Transferred to capital work in progress (note 3.2)	(12,985)	(10,930)
Less: Government incentives (note 13)	(740)	(802)
	9,993	9,182

*Includes interest on lease liability INR 54 million (31 March 2021 : INR 60 million).

23. Earnings per share (EPS)

	31 March 2022	31 March 2021
The following reflects the profit and equity shares data used in the basic and diluted EPS computations:		
Profit after tax as per Consolidated statement of profit and loss	12,576	4,036
(used for both calculation of basic and diluted EPS)		
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)	1.56	0.50
Diluted - Par value of INR 10 per share (in INR)	1.56	0.50

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

24. Related party disclosures

24.1 Related parties : Nature of relationship

Nature of relationship	Name of related parties
Joint venture companies having significant influence	Hindustan Petroleum Corporation Limited (HPCL)
	Mittal Energy Investments Pte Limited (MEI)
Holding company of joint venturer (HPCL)	Oil and Natural Gas Corporation Limited (ONGC)

24.2 Transactions with related parties

Particulars	Joint venture companies having significant influence				Key management personnel	
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		31 March 2022	31 March 2021
Transactions during the year	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Allocation of expenses	190	134	-	-	-	-
Reimbursement of expenses paid/payable	-	4	-	-	-	-
Purchase of goods	1,314	702	-	-	-	-
Purchase of services	99	-	-	-	-	-
Sale of goods (inclusive of taxes)	860,084	498,329	-	-	-	-
Interim dividend paid during the year	3,000	-	3,000	-	-	-
Sales of spares	2	-	-	-	-	-
Sales of services	-	3	-	-	-	-
Purchase of spares	-	2	-	-	-	-
Remuneration paid to key managerial personnel:						
(i) short-term employment benefits	-	-	-	-	181	156
(ii) post-employment benefits	-	-	-	-	7	6
(iii) other long term benefits	-	-	-	-	10	9
(iv) sitting fees	-	-	-	-	1	2

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Key management personnel	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Balance outstanding						
Trade receivables (note 5.3)	35,512	18,293	-	-	-	-
Other financial assets - others	16	11	-	-	-	-
Trade payables	68	51	-	-	-	-
Short-term employment benefits	-	-	-	-	-	1

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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period.
- (d) Government of India (GOI), is also a related party as Hindustan Petroleum Corporation Limited (HPCL) who is a joint venturer of the Group and subsidiary of Oil and Natural Gas Corporation Limited, is a Government related entity. The Group deals on regular basis with entities directly or indirectly controlled by the central/state governments through its government authorities, agencies, affiliations and other organisations and entered into transactions including but not limited to purchase and sale of goods and services (including capital goods), telephone expenses, air travel, fuel purchase and deposits etc. and availed loans and paid/accrued interest on the same with various GOI related entities. These transactions are conducted in the ordinary course of business on arms-length basis and are insignificant individually and collectively and hence not disclosed.
- (e) Refer note 20(b) for the transactions entered with HPCL-Mittal Foundation, a non-profit organisation incorporated under Section 8 of the Companies Act 2013, wholly owned by the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

25. Financial Instruments

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

Particulars	31 March 2022			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Trade receivables	-	35,970	35,970	35,970
Cash and cash equivalents	-	15,812	15,812	15,812
Other bank balances	-	2,211	2,211	2,211
Other financial assets (current)	431	245	676	676
Other financial assets (non-current)	9	575	584	584
Total Financial assets	440	54,813	55,253	55,253
Financial liabilities				
Borrowings (current)	-	500	500	502
Borrowings (non-current)*	-	342,956	342,956	354,977
Lease liabilities (current)	-	88	88	88
Lease liabilities (non-current)	-	560	560	587
Trade payables	-	94,658	94,658	94,653
Derivative liabilities not designated as cash flow hedge	1,807	-	1,807	1,807
Derivative liabilities designated as cash flow hedge	597	-	597	597
Other financial liabilities (current)	-	20,585	20,585	20,585
Other financial liabilities (non-current)	-	17,518	17,518	17,563
Total Financial liabilities	2,404	476,865	479,269	491,359

Particulars	31 March 2021			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Trade receivables	-	18,696	18,696	18,696
Cash and cash equivalents	-	9,021	9,021	9,021
Other bank balances	-	1,353	1,353	1,353
Other financial assets (current)	431	155	586	586
Other financial assets (non-current)	9	538	547	547
Total Financial assets	440	29,763	30,203	30,203
Financial liabilities				
Borrowings (current)	-	157	157	158
Borrowings (non-current)*	-	330,395	330,395	352,672
Lease liabilities (current)	-	71	71	73
Lease liabilities (non-current)	-	536	536	568
Trade payables	-	45,215	45,215	45,214
Derivative liabilities not designated as cash flow hedge	652	-	652	652
Derivative liabilities designated as cash flow hedge	1,474	-	1,474	1,474
Other financial liabilities (current)	-	10,622	10,622	10,622
Other financial liabilities (non-current)	-	26,702	26,702	26,872
Total Financial liabilities	2,126	413,698	415,824	438,305

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

- (a) The carrying amounts of all the financial instruments mentioned in the table above except borrowings, lease liabilities and certain derivatives included in other financial assets and other financial liabilities are considered to be the same as their fair values.
- (b) The fair value of the derivative financial instruments have been derived using the valuation techniques since these are not traded in the active market. These instruments are classified as level 2 fair values in the fair value hierarchy.
- (c) The fair values of non-current borrowings and lease liability included in other financial liabilities are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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

	31 March 2022			31 March 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets - current						
Other financial assets (derivative assets)	-	431	-	-	431	-
Financial assets - non current						
Other financial assets (derivative assets)	-	9	-	-	9	-
Financial liabilities - current						
Other financial liabilities (derivative liability)	-	1,855	-	-	660	-
Financial liabilities - non current						
Other financial liabilities (derivative liability)	-	550	-	-	1,466	-

c) Foreign currency liability/cross currency swap contracts

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

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

Designated as cash flow hedges

Sell USD	Notional amounts (USD million)	
	31 March 2022	31 March 2021
Less than 1 year	26	15
1 year to 2 years	26	26
2 years to 5 years	267	38
Beyond 5 years	427	683
Total	746	762

Foreign currency liability restated at closing exchange rate and debit balance of cash flow hedge reserve of INR 2,931 million as at 31 March 2022 (31 March 2021 : INR 958 million) being mark to market have been recognised in other comprehensive income. Ineffective portion amounting to INR 644 million (31 March 2021 : INR 609 million) have been included in 'foreign exchange differences (net)' under 'Other expense' during the year.

Debit balance of cash flow hedge reserve of INR 337 million as at 31 March 2022 (31 March 2021 : INR 86 million) on cross currency swap contracts have been recognised in other comprehensive income. There was no ineffective portion on these contracts as at 31 March 2022 and 31 March 2021.

d) Interest rate swap contracts

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

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

Designated as cash flow hedges

Outstanding contracts (floating to fixed)

Particulars	Notional amounts (USD million)	
	31 March 2022	31 March 2021
Less than 1 year	148	346
1 year to 2 years	99	148
2 years to 5 years	109	223
Total	356	717

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

Credit balance of cash flow hedge reserve of INR 181 million as at 31 March 2022 (31 March 2021 : INR 445 million) on interest rate swap contracts have been recognised in other comprehensive income. Ineffective portion amounting to INR 527 million (31 March 2021 : INR Nil) have been included in 'fair value loss on derivative contracts (net)' under 'Other expenses' during the year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

26. Financial risk management

Risk management framework

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

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

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

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

(a) Credit risk

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

As at 31 March 2022, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2021 : more than 90%) of the trade receivables are from a single customer which is a Government Company and a related party as well. In respect to the bank deposits, the Company limits its exposure by dealing with creditworthy and reputable banks.

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

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

(b) Liquidity risk

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

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

31 March 2022	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	30,540	154,616	224,130	32,198	441,484
Borrowings (current)	502	-	-	-	502
Trade payable	94,660	-	-	-	94,660
Other financial liabilities	21,736	10,364	5,037	10,073	47,210
Payments for leases (note 36)	137	373	341	-	851
Derivative financial liabilities	1,855	550	-	-	2,405

31 March 2021	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	24,571	145,705	215,536	41,818	427,630
Borrowings (current)	158	-	-	-	158
Trade payable	45,219	-	-	-	45,219
Other financial liabilities	12,142	27,111	458	1,261	40,972
Payments for leases (note 36)	118	306	390	39	853
Derivative financial liabilities	660	1,466	-	-	2,126

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

(c) Market risk

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

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

(c.1) Foreign currency exchange risk

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

The foreign currency exchange management policy is to minimize economic and transactional exposures arising from currency movements against the US dollar, Euro, GBP 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 2022 would have affected profit or loss and other equity by the amounts shown below. This would not impact the profit and loss entirely as certain portion of foreign exchange loss/(gain) is being added/(deducted) to/from the value of property, plant and equipment. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

1% movement	Profit or (loss) before tax for the year ended 31 March 2022		Profit or (loss) before tax for the year ended 31 March 2021	
	Strengthening	Weakening	Strengthening	Weakening
USD	3,462	(3,462)	2,448	(2,448)
JPY	37	(37)	59	(59)
GBP	-	-	1	(1)
EURO	13	(13)	16	(16)
	3,512	(3,512)	2,524	(2,524)

(c.2) Interest rate risk

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

If the interest rates applicable to floating rate instruments is increased/decreased by 1%, the profit before tax for the year ended for 31 March 2022 would decrease/increase by INR 2,546 million (31 March 2021 : INR 2,196 million). This assumes that the amount and mix of fixed and floating rate debt (net of interest rate swap) remains unchanged during the year from that in place as at year end and that the change in interest rates is effective from the beginning of the year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

(c.3) Commodity price risk

The Company is exposed to market risks related to price volatility of crude oil and sale price of its refined products. The Company uses commodity derivative instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase of crude oil and sale of products. Commodity derivatives are used exclusively as risk management tool to safeguard the price basis risk on purchase of crude oil on different benchmark basis, price timing mismatches on crude oil and product pricing mismatches and safeguard product margins on sale of refined products besides protecting the inventory valuations. The Company employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. As on 31 March 2022 some of these hedging positions on benchmark mismatches (basis swaps) & product crack hedge remained open to be settled at a later date. As per policy, all the derivative positions undertaken are settled on maturity.

The impact of increase or decrease by \$1/bbl on open hedges as on 31 March 2022 in the statement of profit and loss assuming all other variables remain constant is as under:

Increase by \$1/bbl in Dated Brent Dubai differential is INR Nil (31 March 2021 : INR 70 million)

Increase by \$1/bbl in ICE Brent Dubai differential would result in profit of INR 155 million (31 March 2021 : INR 221 million)

Increase by \$1/bbl in Dubai Time spread would result in loss of INR 61 million (31 March 2021 : INR Nil)

Increase by \$1/bbl in Singapore Gasoil 10 PPM cracks would result in loss of INR 95 million (31 March 2021 : INR 198 million)

Increase by \$1/bbl in MOPS 92 Ron Gasoline cracks would result in loss of INR 42 million (31 March 2021 : INR 140 million)

Increase by \$1/bbl in Dubai Flat Price-inventory Hedge would result in profit of INR 152 million (31 March 2021 : INR 74 million)

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

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

27. Capital management

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

The Group manages its capital structure and makes adjustments to it as and when required. To maintain or adjust the capital structure, the Group may pay dividend or repay debts, raise new debt or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2022 and 31 March 2021.

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

	31 March 2022	31 March 2021
Equity share capital and other equity	111,856	106,707
Borrowings considered as equity* (note 11.1)	14,861	15,000
Total equity (a)	126,717	121,707
Non-current borrowings (b)**	325,531	313,254
Total capital (c) = (a) + (b)	452,248	434,961
Long term borrowings (b) / Total capital (c)	72%	72%

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

**Includes current maturities of non-current borrowings.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

28. Employee benefits expenses

28.1 Defined contribution plan

The Group makes contribution towards provident fund for employees. The Group's contribution to the Employees Provident Fund is deposited to the government under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. During the year, the Group has recognised INR 232 million (31 March 2021 : INR 213 million) in the consolidated statement of profit and loss.

28.2 Gratuity

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

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

(i) Expenses recognised under employee benefits expense

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

Particulars	31 March 2022	31 March 2021
Current service cost	80	92
Net interest expenses	(1)	9
Amount to be recognised in the consolidated statement of profit and loss	79	101

(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2022	31 March 2021
Expected return on plan assets (excluding amounts included in net interest expense)	41	(11)
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	(13)	5
- From changes in financial assumptions	(61)	(57)
- From changes in experience adjustments	(23)	(23)
Amount to be recognized in the consolidated statement of other comprehensive income	(56)	(86)

(ii) Plan assets/(liability)

Particulars	31 March 2022	31 March 2021
Present value of defined benefit obligation	686	680
Fair value of plan assets	680	695
Plan assets/(liability)	(6)	15

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

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

Particulars	31 March 2022	31 March 2021
Opening defined benefit obligation	680	637
Current service cost	80	91
Interest cost	45	39
Benefits paid	(21)	(12)
Actuarial (gain)/loss on obligation		
- Actuarial (gain)/loss - demographic assumptions	(12)	5
- Actuarial (gain)/loss - financial assumptions	(62)	(57)
- Actuarial (gain)/loss - experience adjustments	(24)	(23)
Closing defined benefit obligation	686	680

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

Particulars	31 March 2022	31 March 2021
Opening fair value of plan assets	695	489
Expected return	4	42
Contributions by employer	1	176
Benefits paid	(20)	(12)
Closing fair value of plan assets	680	695



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

(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 2022	31 March 2021
Discount rate	7.16%	6.68%
Future salary increase	6.33%	7.42%
Attrition rate		
- Up to 30 years	6.31%	7.13%
- From 31 to 44 years	3.48%	4.16%
- Above 44 years	5.29%	5.73%
Mortality rates inclusive of provision for disability (Indian Assured Lives Mortality)	100% (2012-14)	100% (2012-14)

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

(iv) A quantitative sensitivity analysis of the changes in the defined benefit obligation due to changes in significant assumption as at 31 March 2022 is as shown below:

Assumptions	Sensitivity Level	31 March 2022	31 March 2021
Discount rate	0.5 % increase	(29)	(28)
	0.5 % decrease	32	31
Future salary increases	0.5 % increase	16	15
	0.5 % decrease	(16)	(15)

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 2022	31 March 2021
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 98 million (31 March 2021 : INR 107 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2022	31 March 2021
0 to 1 year	83	85
1 to 2 year	37	43
2 to 3 year	35	36
3 to 4 year	32	38
4 to 5 year	35	34
5 to 6 year	32	35
6 year onwards	432	409

(ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 13.29 years (31 March 2021 : 11.57 years) of HMEL and 15.30 years (31 March 2021 : 15.86 years) of HMPL.

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

29. Settlement of deferred sales tax loan

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

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

Till December 26, 2020, the Company based on the legal opinions has settled the CST liability of INR 59,137 million for a Net Present Value (NPV) of INR 12,400 million by discounting the gross CST liability using an appropriate interest rate for adjustment with undisbursed IFL of INR 12,400 million. Consequentially, a cumulative gain of INR 46,140 million (net of provision amounting to INR 597 Million) has been accounted for in the books of accounts (31 March 2021 : INR 46,140 million).

Subsequent to the adjustment of net present value of deferred CST with undisbursed IFL of INR 12,400 million, the Company has deferred CST liabilities of INR 15,110 million (31 March 2021 : INR 1,719 million) pertaining to the period thereafter in accordance with the terms of the DoA. The fair value of the deferred CST liabilities has been classified as deferred payment liabilities amounting to INR 7,236 million (31 March 2021 : INR 696 million) under note 11.5 and the differential between the fair value of the deferred payment liabilities and the amount collected amounting to INR 7,874 million (31 March 2021: INR 1,023 million) has been included in 'Other liabilities' under note 13.

During the financial year 2021-22, the Company has received assessment orders for financial year 2014-15 and 2015-16 dated 7 September 2021 and 23 December 2021 respectively under Punjab Value Added Tax Act, 2005 wherein the excise and taxation department has held that Company has wrongly adjusted the undisbursed IFL with the CST liability as per DoA and is liable to pay deferred CST collected upon expiry of period of deferment. On 30 March 2022, the Company has filed appeal before The Deputy Excise and Taxation Commissioner (Appeals) against the aforementioned orders of assessing officer on the ground that the Company has a unilateral right to adjust the net present value of deferred CST liability with the undisbursed IFL as per the terms of DoA. Accordingly, the CST liability got discharged upon adjustment of net present value of deferred CST liability with undisbursed IFL and the Company is not liable to pay the already settled deferred CST of 59,137 million (31 March 2021 : INR 59,137 million) upon expiry of the deferment period. The GoP, through a notification dated 7 January 2022, has constituted a committee to look into the settlement of IFL. As per the notification, the Committee was required to submit its report by 31 March 2022 to GoP. There is no progress in this matter till date.

30. Debenture redemption reserve

The Group pursuant to the provisions of section 71(4) of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014, has created a debenture redemption reserve (DRR) amounting to INR 2,676 million (31 March 2021 : INR 2,633 million).

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

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 20,313 million (31 March 2021 : INR 32,394 million), net of advances amounting to INR 1,812 million (31 March 2021 : INR 1,147 million).

(b) Other commitments

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

32. Segment reporting

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

Geographical segment

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

Particulars	Non-current operating assets		Revenue	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
India	458,519	428,871	895,512	517,305
Outside India	-	-	-	-
	458,519	428,871	895,512	517,305

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

Revenue of INR 835,380 million (31 March 2021 : INR 480,923 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 2022 and 31 March 2021.



33. Contingent liabilities

Claims against the Group not acknowledged as debt

S.No.	Particulars	31 March 2022	31 March 2021
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation	226	226
3.	Claims raised by project vendors	2,785	2,785
4.	Penal demand raised by income tax department	17	17
5.	Demand for service tax and penalty raised by service tax department	289	289
6.	Disallowance of cenvat credit including interest and penalty by department	1,339	1,377

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

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

During the financial year 2021-22, the Group has received demand amounting to INR 6,013 million aggregating to total outstanding demand (including penalty) to INR 7,731 million (31 March 2021: INR 1,718 million) as at 31 March 2022 from Principal Commissioner-CGST, Ludhiana in relation to excise duty on intermix product. The Group has filed an appeal before Customs, Excise and Service Tax Appellate Tribunal ('CESTAT'), Chandigarh against the said demands and the matter is yet to be heard as at 31 March 2022.

Further, the Group has received favourable order on 31 March 2022 from Principal Commissioner-CGST Ludhiana, against the order passed by previous Principal Commissioner-CGST on the same matter for portion of the demand (including penalty) amounting to INR 1,214 million.

As the Group has received a favourable order from Principal Commissioner-CGST Ludhiana and considering the orders passed by CESTAT in the favor of other oil industry companies on similar matter during the earlier years, the Group expects favorable outcome in its pending matter before CESTAT, Chandigarh being similar in nature and it is probable that demand mentioned above will not arise. Therefore, no provision for liability has been made in these consolidated financial statements.

During the financial year 2021-22, the Group has received assessment orders for financial year 2014-15 and 2015-16 with respect to adjustment of undisbursed IFL with the CST liability against which appeal has been filed (note 29). The management believes that no liability will arise on account of the above mentioned orders as the Group has a unilateral right to set off the statutory dues payable to the government with the undisbursed IFL.

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 2022. 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 2022	31 March 2021
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
i) Principal amount due to micro and small enterprise	Nil	Nil
ii) Interest due on above	Nil	Nil
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006.	Nil	Nil

35. Relationship with struck off companies

31 March 2022

Name of Struck off Company	Nature of transactions	Relationship with the Struck off company	Transactions during the year 31 March 2022	Balance outstanding as at 31 March 2022
	-	-	-	-

31 March 2021

Name of Struck off Company	Nature of transactions	Relationship with the Struck off company	Transactions during the year 31 March 2021	Balance outstanding as at 31 March 2021
RTP Controls India Private Ltd	Payable	Vendor	*	-
HBN Homes Colonisers Private Limited	Payable	Vendor	1	-

*Amount is less than INR 0.5 million

Note: Transactions disclosed above held with HPCL-Mittal Energy Limited



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

36. Leases

The following are the carrying amounts of right-of-use assets recognised and movement during the year ended 31 March 2022 and 31 March 2021:

Particulars	Class of right-of-use assets			Total
	Land	Buildings	Plant and equipment	
As at 1 April 2020	486	270	79	835
Additions	-	-	-	-
Deletions	-	-	-	-
Depreciation expense	(46)	(74)	(79)	(199)
As at 31 March 2021	440	196	-	636
Additions	-	179	99	278
Deletions	-	(71)	-	(71)
Depreciation expense	(46)	(64)	(85)	(195)
As at 31 March 2022	394	240	14	648

The following are the carrying amounts of lease liabilities and movement during the year ended 31 March 2022 and 31 March 2021:

Particulars	31 March 2022	31 March 2021
As at 1 April	607	771
Additions during the year	272	-
Interest expense on lease liability	54	60
Deletions during the year	(81)	-
Payment of lease liabilities	(204)	(224)
As at 31 March	648	607

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

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due. Rent expense recorded for short-term leases was INR 15 million for year ended 31 March 2022 (31 March 2021 : INR 30 million).

37. Interim dividend

The Board of Directors of the Company at their meeting held on 25 March 2022, declared an interim dividend of INR 0.7616 per equity share (nominal value of INR 10 each) for financial year 2021-22, that resulted in total dividend outgo of INR 6,124 million.

38. 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 2022	31 March 2021
Share capital	12,230	12,230
Other equity	2,363	1,784
Total assets	42,186	41,994
Total liabilities	27,593	27,980
Revenue from operations	11,656	8,924
Profit before taxation	3,096	2,413
Tax expense	806	619
Profit after taxation	2,290	1,794
% of shareholding	100%	100%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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

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

Particulars	Net Assets/(Liabilities) (total assets minus total liabilities)			
	31 March 2022		31 March 2021	
	Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated net assets/(liabilities)
HMEL	109,673	98	105,070	100
HMPL	14,593	13	14,014	12
Sub Total	124,266	111	119,084	112
Elimination*	(12,410)	(11)	(12,377)	(12)
Consolidated	111,856	100	106,707	100

Particulars	Share in total comprehensive income			
	31 March 2022		31 March 2021	
	Amount	As % of consolidated profit/(loss)	Amount	As % of consolidated profit/(loss)
HMEL	10,729	95	4,793	73
HMPL	2,291	20	1,796	27
Sub Total	13,020	115	6,589	100
Elimination*	(1,747)	(15)	(15)	-
Consolidated	11,273	100	6,574	100

*Adjustments for intra group transaction and/or balances

For and on behalf of the Board of Directors
HPCL-Mittal Energy LimitedM. K. Surana
Chairman
DIN 07464675Rajan Tandon
Director
DIN 01968916Prabhu Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: New Delhi

Place: London

Place: New Delhi

Harak Banthia
Chief Financial OfficerSidhartha T...
Company Secretary
Membership No. A 14544Place: New Delhi
Date: 26 April 2022

Place: New Delhi

